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FAST FACTS ON 2000 BUDGET ACTIONS

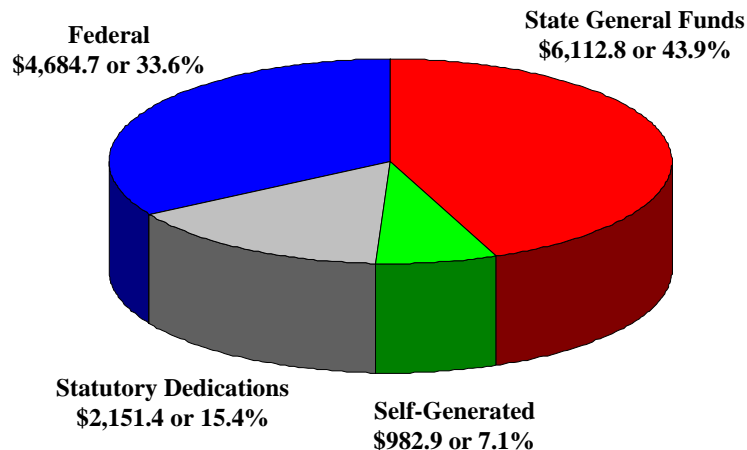
OVERVIEW

FY 00/01 Budget

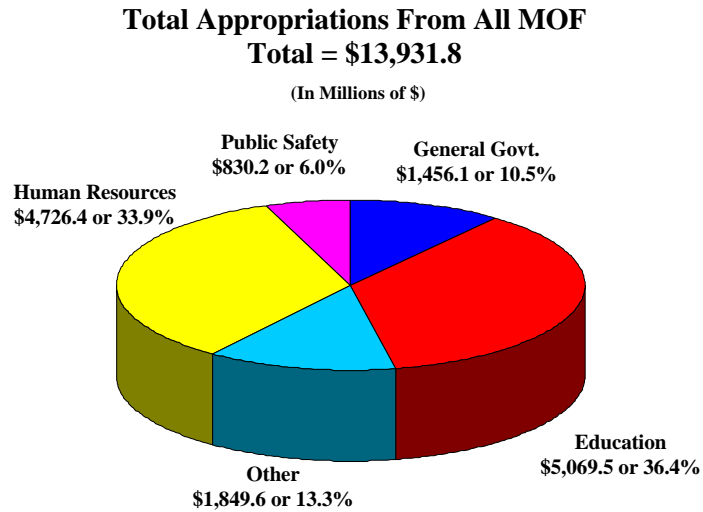
- Three important and unusual factors overshadowed most of the FY 00/01 budget process. While they were not debated directly, dealing with them was a major feature of the legislative process through three sessions.
 - ⇒ Official base revenue forecasts showed that less State General Fund money would be available for FY 00/01 than was originally budgeted for FY 99/00, even with the renewal of the sales tax on food and utilities.
 - ⇒ A \$134 million increase in debt service payments in FY 00/01 was a required expenditure. This increase was due to a decline in savings from short term defeasance plans implemented using surplus plans in the past four years.
 - ⇒ An \$85 million need to replace one-time tobacco funds, overcollections and fund balances used to fund Medicaid in FY 99/00.
- The last two items alone total \$219 million, which exceeds the revenues resulting from new taxes. The lack of base revenue growth in the official forecast meant that all other cost increases and initiatives had to be funded by making reductions in existing program expenditures.
- In adopting a balanced budget for FY 00/01, the governor and the legislature used a combination of budget cuts, renewal of the 3% food and utility sales tax, and \$211 million in new taxes in an effort to continue ongoing initiatives in education and to maintain vital services in the health care area.
- In addition to the \$211 million in tax increases, the Revenue Estimating Conference on June 16, 2000 added \$38 million to the base forecast, primarily from increased mineral revenue. This additional \$249 million fully funded the supplemental section of HB 1 prior to the start of the 2nd Extraordinary Session.

- New revenue measures adopted in the Regular Session:
 - \$110 million - exemptions suspended on 4th cent of sales and use tax (HB 140)
 - \$ 85 million - elimination of ½ of excess itemized deductions and the \$25 per child education tax credit (HB 299)
 - \$ 15 million - cigarette tax increase of 4¢ per pack and 20% tax on smokeless tobacco (HB 117)
 - \$ 4 million - continuation of 2.5% sales tax on automobile rentals (HB 193)
 - (\$ 1 million) - reduction in revenue by extending sales tax exemption for trucks and buses in interstate commerce (HB 22)
 - (\$ 2 million) - reduction in revenue by eliminating sales tax on used mobile homes and on 54% of new mobile home value (HB 44)
- The State General Fund budget is \$6.113 billion compared to \$5.918 billion in FY 99-00 (existing operating budget as of 12/03/99), an increase of \$195 million or 3%. If the FY 99/00 budget is adjusted for midyear budget cuts, the growth for FY 00/01 is about \$270 million or 4.6% over FY 99/00.
- Total budget for FY 00-01 is \$13.932 billion compared to the FY 99-00 budget of \$13.890 billion (existing budget as of 12/03/99), a growth of only \$42 million or 0.3%.
- This total state budget for FY 00-01 is funded from the following Means of Financing:

Means of Financing = \$13,931.8
(In Millions of \$)



- Total appropriations of \$13.9 billion are distributed among major functional areas as follows:



State Debt and Debt Service

- State Debt is down nearly 50% compared to 1993 when debt reduction became a major Legislative priority.
- Even with no General Obligation Bonds issued in FY 99-00, other non-G.O. bond issues have increased outstanding debt in the last 15 months.
- Debt Service rises sharply in FY 00-01 as the savings from prior debt reductions phase out but is still over 50% less than the FY 93/94 cost of \$720 million. Debt service will rise gradually for three years and then decline substantially in the future.
- The State is well on target to meet the Constitutional requirement that debt service be no more than 6% of state revenues in FY 03-04.

Capital Outlay

The total capital outlay program for FY 00/01 is \$2,823.9 million. 34.5% is allocated to DOTD projects for highways, ports, airports, and flood control, 22.3% to other state projects, 20.7% for higher education institutions, and 22.4% for non-state projects, financed as follows:

\$ 17.8 million	Federal Funds
406.0 million	Federal Transportation Trust Fund
202.3 million	Transportation Trust Fund and TIMED Cash
85.3 million	Other Statutory Dedications, Self-Generated Revenues, Reappropriated Cash
272.9 million	Revenue Bonds
31.3 million	Capitol Complex Master Plan Fund
8.0 million	Interagency Transfers
\$ 1,023.6 million	Total Cash
879.0 million	Priorities 1 and 2
297.5 million	Priorities 3 and 4
614.2 million	Priority 5
\$ 1,790.7 million	Total Bonds
9.6 million	NRP/RBP (previously sold proceeds and prepayment of reimbursement contracts)
\$ 2,823.9 million	Grand Total

STATEWIDE ADJUSTMENTS

Approximately 3,600 authorized positions were eliminated through attrition and gubernatorially mandated personnel reductions. With addition of new positions, primarily in corrections, the net reduction in positions is about 2,260. To minimize layoffs agencies have until April 1, 2000 to reach these lower authorized position levels.

(\$38.8 million) Savings due to continuation of Executive Order reductions implemented in FY 99/00

K-12 EDUCATION

\$ 86.0 million	Total funding for TOPS
\$ 25.6 million	Increased funding for the MFP to provide for full-funding of the formula
\$ 25.0 million	Educational Accountability Initiatives, including testing (\$10.7 million), Summer School and High Stakes Remediation (\$7.5 million), School Improvement Awards (\$3 million), Early Intervention Programs (\$2 million) and Alternative School Programs for 4 th and 8 th Grades (\$1.8 million)
\$ 14.3 million	K-3 Reading and Math Initiatives
\$ 14.1 million	Education Excellence Funds (Tobacco Settlement Revenues)
\$ 13.2 million	Type 2 Charter Schools
\$ 5.0 million	Classroom-based Technology in Capital Outlay (financed from Land-based Casino Funds)
\$ 3.0 million	Special School Districts' related costs for the DOJ Corrections Settlement Agreement
\$ 80,000	Teacher stipends for receiving certification from the National Board for Professional Teaching Standards
\$ 27.9 million	Nonpublic Educational Assistance

HIGHER EDUCATION

\$ 11.9 million	Formula enhancement funds to be distributed by the Board of Regents. \$809,000 of this amount is allocated to Southern University-Baton Rouge as match to maintain its Land Grant status and for Desegregation Settlement costs, subject to Budget Committee approval
\$ 10.3 million	Research grants for innovations in health care sciences funded by Tobacco Settlement Revenue
\$ 12.7 million	Increased funding for the operating expenses of Louisiana State University Health Sciences Center
\$ 2.4 million	Operating and personnel expenses of the Clinical Sciences Building located on the New Orleans Campus of the LSU Health Sciences Center
\$ 1.5 million	Emerging Community College funding to be allocated to South Louisiana Community College, River Parishes Community College, Jefferson West Learning Center, and Delta Community College. No less than \$250,000 is to be used for start-up costs related to Delta Community College.
\$ 2.5 million	Louisiana Gene Therapy Research Consortium, Inc.
\$ 5.0 million	LSU Health Sciences Center Cancer Research Program
\$ 300,000	Louisiana Kidney Health Care Program at LSU Health Sciences Center-Shreveport
\$ 4.3 million	State funding for aid to independent institutions of higher education
\$ 1.3 million	The Louisiana Endowment for the Humanities
(\$ 511,065)	Gubernatorially-mandated personnel reductions at four management boards in higher education (Board of Regents-\$219,020; LSU Board of Supervisors-\$73,007; UL Board of Supervisors-\$73,007; and LCTCS Board of Supervisors-\$146,013)
(\$ 649,607)	Elimination of funding for the Louisiana Technical Resource Center (\$489,607) and for administrative personnel positions (\$160,000) at the Louisiana Technical College

HEALTH AND SOCIAL SERVICES

Medicaid

Overall Medicaid growth is 2.2%, while state funds growth is only 1%. Medicaid program totals \$3.574 billion.

- \$ 500 million** Available to continue the Prescription Drug and the Medically Need Programs
- \$ 100 million** Restores the 7% Medicaid rate cuts implemented in FY 99/00, but many other reductions will remain in effect
- \$ 18.5 million** New disabled children's waiver program and the expansion of LaCHIP up to 200% of the Federal Poverty Level; however, TEFRA is not approved
- \$ 51.8 million** Added to address unreasonably low rates for various private health care providers
- \$ 30.2 million** Added to pay outstanding cost settlements to private hospitals
- \$ 36.1 million** Added for higher payments to small rural hospitals, but contingent on federal approval of financing mechanism that relies on intergovernmental transfers

Half of the Care Coalition concerns are addressed in the FY 00/01 Budget

State facility and Uncompensated Care Payments for continuing activities change by less than 1% from FY 99/00 levels

Public Health

- \$ 6.3 million** School-based health services expanded with increase of \$1.6 million (Louisiana Fund)
- \$ 3.3 million** Nurse Home Visitation Program expanded with addition of \$1.6 million in Medicaid funding
- \$ 2.4 million** Increased federal funding for HIV/AIDS medications
- \$ 3.2 million** Increased federal funding for the Women, Infants and Children program
- \$ 5.6 million** Increased self-generated revenues from increased fees for various services
- (\$2.5 million)** Reduced Louisiana Fund monies for smoking prevention programs
- (109 positions)** 5% reduction from current year level

Fast Facts

Prepared by House Fiscal Division

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Mental Health

- \$ 3.5 million Funding to maintain community mental health clinic services statewide
- \$ 2.4 million Increased funding for newer, more effective anti-psychotic drugs for community mental health clinic clients
- \$ 8.0 million Increased funding for court-ordered mental health treatment for Orleans Parish jail inmates
- (\$ 8.1 million) Reduction in total funding for state mental hospitals (6% below FY 99/00 budget), including loss of 147 positions expected to result in service reductions, including possible closure of inpatient children's beds

Developmental Disabilities

Total funding for developmental centers was restored to within 1 % of the FY 99/00 budget level in an effort to avoid bed closures. Funding of \$168 million is still \$926,000 and 207 positions less than in FY 99/00.

- (\$ 1.6 million) Reduction in administration and community support in Office for Citizens with Developmental Disabilities, with loss of 26 positions

Addictive Disorders

- (\$ 832,086) Reduced state match may result in future federal block grant reductions. Total funding for Office for Addictive Disorders is 5% below FY 99/00 level.

Social Services

- \$ 78.0 million Federal Funds added to increase monthly welfare grant, annualize FY 99/00 changes, create a new wrap-around child care program, expand teen pregnancy prevention programs, and upgrade Support Enforcement computer system
- (\$20.2 million) Personnel reduction of 678 positions (\$9.9 million in State General Fund)
- (\$ 4.0 million) Continuation of FY 99/00 cuts in the Office of Family Support (all State General Fund)
- (\$ 2.8 million) Reduction in federal funds due to a decline in welfare rolls

Health Care Services Division

Total funding of \$786 million is within 1% of FY 99/00 budget, although the reduction of 359 authorized positions is a 4% reduction from current year level.

Fast Facts

TRANSPORTATION

Mandated personnel cuts reduce DOTD authorized positions by 252 and \$8.7 million, but DOTD does not expect to make layoffs.

\$ 5.8 million Increased acquisitions

\$ 1.2 million Increased planning studies.

\$ 1.75 million Salary increases for engineers in non-management positions

\$ 4.0 million TIME funds used for DOTD operating expenses

DOTD fails to gain \$1.5 million in funding for the purchase of a replacement airplane.

(\$ 250,000) Elimination of funding for the Airport Maintenance Grant Program

\$ 521,000 Increased federal funds to purchase vehicles for local transportation agencies

As part of the major construction Priority Programs, DOTD will manage \$975.2 million of capital outlay funds for highways, the TIME program, ports, flood control and aviation projects, funded as follows:

\$ 485.6million Highway Priority Program, including \$160 million for overlay projects

\$ 70.3 million TIME Program

\$ 8.0 million Hazard Elimination projects, with 100% federal funds related to federal penalty provisions for inadequate state laws dealing with repeat DWI and "open container" offenses

\$ 10.0 million Contract Maintenance Program for small preventive maintenance projects

\$ 25.0 million Port Construction and Development Priority Program, with new project starts up to \$25 million

\$ 5.0 million Statewide Flood Control Program, with new project starts up to \$10 million

\$ 5.0 million State Aviation Improvements Program, with new project starts up to \$5.1 million.

\$345.4 million Bond financed projects for roads, flood control, and other projects

\$ 20.9 million Other cash-financed projects, including DOTD facilities

MILITARY AFFAIRS AND VETERANS SERVICES

\$ 15.2 million	State and federal funding for operation and maintenance of Hansens' Disease Control Center Carville Complex, including Carville Academy and Youth Challenge Program
\$ 400,000	Job Challenge Pilot Program (funded with federal funds through the Department of Labor)
\$ 23.8 million	Capital outlay funding of Military Department Projects, including construction, renovation and armory maintenance
\$ 20.4 million	Capital outlay funding for construction of four new War Veterans Homes

PUBLIC SAFETY AND CORRECTIONS

Corrections

(\$ 4.3 million)	Gubernatorially mandated personnel reductions of 127 positions
(\$ 5.1 million)	Savings associated with closure of the Jena Juvenile Justice Center
\$ 20.1 million	Juvenile Justice Settlement Agreement (includes \$5.4 million in the capital outlay bill for equipment and construction)
\$ 14.4 million	Increased number of inmates under Sheriff's Housing of State Inmates (2,027 increased to 17,281) totaled \$18.2 million but was reduced by \$3.8 million to fund the Drug Abuse Resistance Education (D.A.R.E.) Program
\$ 5.2 million	Base salary increase of approximately 3.5% for Correctional Security Officers and Probation and Parole Officers
\$ 2.1 million	Increased cost of operating Tallulah Detention Center as a unit of the Swanson Correctional Center for Youth in Monroe
\$ 72.0 million	Capital Outlay funding for construction and renovations at state correctional facilities

Public Safety

(\$ 8.5 million)	Gubernatorially-mandated personnel reductions of 274 positions
\$ 6.1 million	Computer and data processing services upgrades in the Office of Motor Vehicles (Self-generated Revenues from increased handling fees)
\$ 5.5 million	Upgrades to the Automated Fingerprint Identification System (AFIS) (from Riverboat and Land-based Casino funds)

Fast Facts

ECONOMIC DEVELOPMENT

\$ 15.3 million	State General Fund for various phases of the U.S. Navy Information Technology Center at UNO
\$ 7.1 million	State General Fund for debt retirement associated with the construction of the UNO/Avondale Maritime Center of Excellence
\$ 5.0 million	State General Fund for the Economic Development Award Program (EDAP), contingent on transfer of funds from the Louisiana Public Facilities Authority (LPFA)
\$ 1.3 million	State General Fund for transition costs for start-up of Louisiana, Inc.
\$ 962,000	State General Fund for local economic development activities in different areas across the state
\$ 800,000	State General Fund for technology-based economic development activities
\$ 480,000	State General Fund for Louisiana Resource Center for Educators, representing an increase of \$143,000
(\$ 3.2 million)	State General Fund reduced for local economic development projects
(\$ 884,270)	State General Fund reduced in the Small & Emerging Business Development Program, including 4 positions (offset by \$300,000 Statutory Dedications increase)
(\$ 437,603)	Gubernatorially-mandated personnel reductions of 16 positions
(\$ 306,713)	State General Fund eliminated in the Communications program
(\$ 186,926)	Continuation of Executive Order 99-52 cuts—all SGF

TOURISM & CULTURAL DEVELOPMENT

\$ 2.0 million	Louisiana Library Connection
\$ 1.5 million	State Aid to Local Libraries
\$ (350,000)	Elimination of Small Museums Grants Program
\$ 166,000	Digitizing pictures and artifacts for Internet (Museums)
\$ 200,000	Enhancements to new electronic reservation system (Parks)
\$ 82.9 million	Capital Outlay funding for improvements of state parks, museums, and other tourist related projects

AGRICULTURE AND FORESTRY

\$ 41.7 million	Boll Weevil Eradication Program, including \$8 million in State General Fund
(\$ 4.0 million)	Reduction in the Formosan Termite Initiative from \$6 million in FY 99/00 to \$2 million for FY 00/01
(\$ 2.0 million)	Reduction to the Commodities Storage, Warehouse, and Distribution Project from FY 99/00 level of \$4 million to FY 00/01 level of \$2 million
(\$ 1.5 million)	Other reductions including 51 positions

GENERAL GOVERNMENT

(\$ 6.4 million)	Long Term Care Assistance Program eliminated
\$ 3.8 million	Drug Abuse Resistance Education Program (D.A.R.E.) continued with 10% reduction through reduction in per diem for sheriffs to house state inmates
\$ 8.9 million	Office of Rural Development grant program funding continued
\$ 10.1 million	Office of Urban Affairs and Development grant program funding continued
\$ (1.5 million)	Elimination of extended warranty contract for voting machines in Dept. of Elections
\$ 1.0 million	Federal America Reads Challenge Grant
\$ (1.8 million)	Reduction to the Atchafalaya Basin Program due to expanded role by Corps of Engineers
\$ 18.4 million	Wetlands Conservation and Restoration Fund for coastal projects
\$ 1.1 million	Source Water Assessment Program (DEQ) in conjunction with Safe Drinking Water Act
(\$25.6 million)	Eliminates funding for the first welfare-to-work grant (\$1,151,012 in State General Fund)
(\$ 507,551)	Reduction in State General Fund for second welfare-to-work grant due to slow implementation
\$ 8.3 million	Hunting and fishing license fee increase for Dept. of Wildlife and Fisheries funding
\$ 2.9 million	Aquatic Weed Eradication Program, reflects reduction of \$1 million for FY 00/01
\$ 1.2 million	Electronic imaging project for state employee records
(\$ 12 million)	Eliminates Tobacco Tax- General Assistance to Parishes and Municipalities
\$ 4.1 million	New Orleans Center for the Creative Arts first-year funding
(\$12.3 million)	Reduction in the Parish Transportation Program (representing a 25% reduction each in the Parish Road Program and Mass Transit)

Fast Facts

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BUDGET SUMMARY

The development of the FY 00/01 budget was made more difficult by the lack of revenue growth and by two large, unusual expenditure items - the significant increase in debt service due to phase-out of savings from defeasance plans and the replacement of one-time revenues used to fund Medicaid in FY 99/00. Compared with projected revenues, a continuation budget resulted in estimates of a possible shortfall that ranged from \$540 to \$630 million, even after assuming continuation of suspension of exemptions on 3 cents of the sales tax, primarily on food and utilities.

When submitted in February, the Executive Budget recommendation included \$326.8 million in funding which was contingent on renewal of the exemption suspensions, primarily payments to charity hospitals, public mental health facilities, and public and private ICF/MR facilities. After the sales tax renewal was passed in the 1st Extraordinary Session and those revenues were recognized on May 11, 2000, the items it funded were no longer contingent and were made part of the base budget.

In the Executive Budget, the governor also included some \$269 million in funding in a variety of agencies that was contingent on unspecified new revenue measures. However, the remaining amounts needed to reach a continuation budget level were not recommended. The Executive Budget instead proposed a variety of cuts to most agencies, including cuts to personnel, operating expenses, risk management premiums, contract services and acquisitions.

During the regular session the governor proposed many other cuts, principally additional personnel cuts, in order to move some supplemental items into the base budget and to conform the total supplementary appropriations to anticipated revenues. The Legislature also debated a number of tax proposals, ultimately raising \$211 million from new taxes. At the close of the Regular Session, the Appropriation Bill died in conference committee due to lack of time to consider the conference report.

The Revenue Estimating Conference met June 16, 2000 and incorporated the additional tax revenue. It also added \$38 million to the base revenue, primarily from increased projections of mineral revenue, for a total \$249 million in new revenue to fund supplemental spending. The General Appropriation Bill introduced in the 2nd Extraordinary Session was in the same status as reflected in the proposed conference report which contained a supplemental section of \$243 million. With the addition of \$6 million in funding for TOPS due to authorized tuition increases, at the end of this session the budget was in balance with the official revenue estimate.

New Revenue Measures

New revenue measures passed in the Regular Session and included in the official revenue estimate include the following:

- \$ 110 million - exemptions suspended on 4th cent of sales and use tax (HB 140)
- \$ 85 million - elimination of ½ of excess itemized deductions and the \$25 per child education tax credit (HB 299)
- \$ 15 million - cigarette tax increase of 4¢ per pack and 20% tax on smokeless tobacco (HB 117)
- \$ 4 million - continuation of 2.5% sales tax on automobile rentals (HB 193)
- (\$ 1 million) - reduction in revenue by extending sales tax exemption for trucks and buses in interstate commerce (HB 22)
- (\$ 2 million) - reduction in revenue by eliminating sales tax on used mobile homes and on 54% of new mobile home value (HB 44)

Budget Reductions

The most significant budget reductions for FY 00/01 are those affecting the number of state employees. The enrolled budget incorporates a reduction of approximately 3,600 positions authorized throughout all state departments. With the addition of new positions, primarily in corrections, the net position reduction is about 2,260. To minimize the need for layoffs, agencies have until April 1, 2000 to meet their new number of authorized positions. Also, limited authority is given to the commissioner of administration and the Joint Legislative Committee on the Budget to transfer positions and funding to effectively implement these position reductions while addressing service demands.

Approximately \$38.8 million in savings in the FY 00-01 budget is due to continuation of Executive Order reductions implemented in FY 99-00. In addition to position reductions, funding for many programs was reduced, including the K-3 Reading and Math Program, the per diem amount paid to sheriffs for housing state prisoners, the Parish Transportation Program, and the Formosan Termite initiative. Funding for some programs was eliminated entirely, such as the Long Term Care Assistance Program for the elderly in nursing homes, Tobacco Tax assistance to municipalities, and numerous service programs by local and non-profit organizations.

Why Were Budget Cuts Necessary If Taxes Were Increased?

In addition to the normal increases in the budget for inflation, merit pay for state workers, annualization of new activities and workload increases, for FY 00-01 the state had to deal with two large, unusual budget items.

Budget Summary

- **\$133.5 million for increased debt service**

This increase is not related to issuance of more bonds, but to a decline in savings from short-term defeasance plans implemented over the past four years. Surplus funds were used to prepay debt over a three to four year period, thereby reducing debt service payments in the short-term and freeing up funds for other purposes, including teacher pay raises. No surplus funds were available to continue this practice and debt payments returned to their normal levels. While long range estimates in 1997 and 1998 indicated that tax revenues were enough to cover this additional cost, the 1999 oil and gas sector downturn and the reduced revenue projections that resulted from it made this impossible.

- **\$85 million to replace one-time funds used in Medicaid**

In constructing the FY 99/00 budget, \$63 million in tobacco funds and \$22 million in overcollections and provider fee fund balances were used to fund Medicaid. Because the Constitutional amendment was adopted which places a portion of tobacco funds in trust, the amount available for expenditure in the budget in FY 00/01 decreased. Without these funds, the reduction to Medicaid including Federal funds would have been almost \$300 million, resulting in dramatic impacts on provision of services.

These two items alone total \$219 million, which exceeds the revenue growth from new taxes. With almost no revenue growth in the base revenue estimate for FY 00/01 this meant that all other cost increases and initiatives had to be funded by making reductions in other state expenditures, including reductions in positions and elimination of some programs as discussed above.

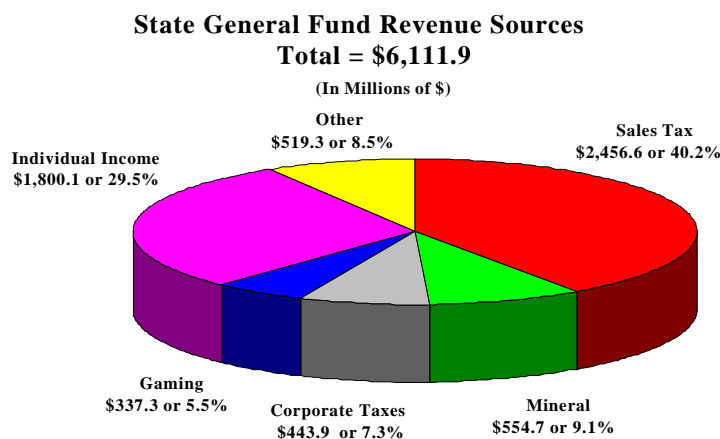
Among these increases are the following:

- \$42.7 million Additional funding for Corrections due to increased numbers of inmates and costs of the Juvenile Justice Settlement
- \$21.9 million New MFP funds for local schools
- \$14.3 million Increased costs of School Accountability and Summer School
- \$11.9 million Higher Education funding enhancement
- \$12.9 million Increased funding for LSU Health Sciences Center
- \$ 3.1 million New Home and Community Based Waiver program as alternative to TEFRA (Total funding \$9.1 million)
- \$ 1.9 million Expansion of LaCHIP (children's health insurance) from 150% to 200% of poverty (Total funding of \$9.4 million)
- \$14.0 million Other inflation and utilization costs in Medicaid
- \$ 4.1 million NOCCA (New Orleans Center for the Creative Arts)
- \$31.0 million Merit Increases. Agencies have been forced to absorb both merit and inflation costs for the past ten years, which is in effect an across-the-board cut to all agencies every year
- \$14.9 million State Group Benefits rate increase that will have to be absorbed by state agencies

FY 00/01 Revenues

The official State General Fund estimate adopted on June 16, 2000, including the new tax revenues, is \$6.112 billion. Revenue growth for FY 00/01 is \$284 million, or 4.9% compared with the FY99/00 estimate adopted on the same date. Excluding the new tax revenues, the growth rate in the existing tax base would be only about 1.2%, less than half the growth rate in recent years. Moreover, these comparisons do not reflect the fact that FY 99/00 revenue estimates declined by more than 1.5% during the year. Compared with the revenue projections made at the beginning of FY 99/00, State General Fund for FY 00/01 increases only \$21 million, or less than 0.5% before the new taxes are considered.

Sales and use taxes continue as the largest source of State General Fund revenue with individual income taxes as the second largest source. Despite strong employment figures, corporate income and franchise taxes are expected to decline in FY 00/01. Mineral income is now only about 9% of total SGF revenue. The pie chart below reflects significant SGF revenue sources.



Casino Revenues

The Conference also recognized \$94 million of nonrecurring revenue from the Land-Based Casino of which \$31 million will be deposited in the Budget Stabilization Fund. The remainder was used for capital outlay expenditures, including the Capitol Complex Master Plan (\$31 million), higher education library and scientific equipment (\$15 million), Classroom Based Technology (\$5 million), Louisiana Technology Innovation Fund (\$4.5 million), and higher education life safety code construction (\$4.3 million).

Tobacco Settlement Revenues

\$138 million in Tobacco Settlement revenues were recognized of which \$62.1 was placed in the Millennium Trust Fund, \$62.1 million into the Louisiana Fund, and \$13.8 into the Education Excellence Fund for distribution the private and public schools. (See the Tobacco section for a complete discussion of settlement revenue expenditures)

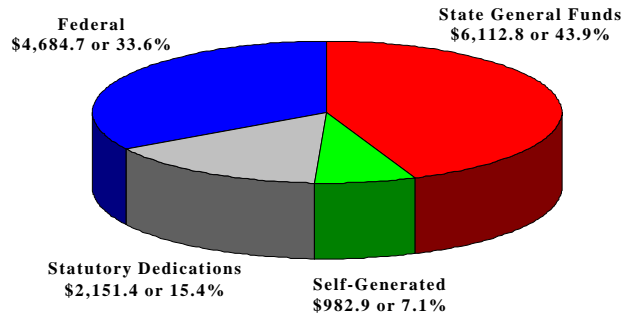
Budget Summary

FY 00/01 Means of Financing

The total state budget from all Means of Financing for FY 00/01 is \$13.932 billion of which \$6.1 billion is from the State General Fund, \$983 million is from Fees and Self-Generated Revenues, \$2.2 billion is from Statutory Dedications, and \$4.7 billion is from Federal Funds.

Means of Financing = \$13,931.8

(In Millions of \$)



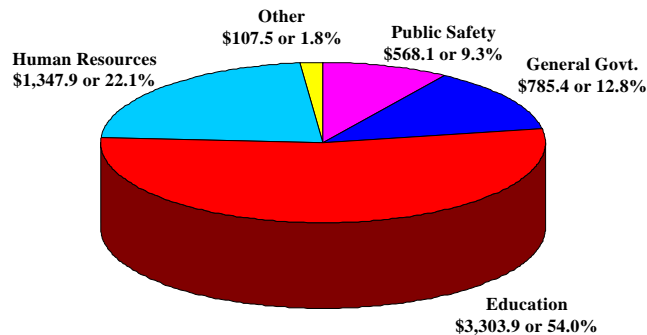
FY 00/01 Expenditures

The following pie chart displays State General Fund appropriations of \$6.1 billion for FY 00/01 by major functional areas of state government spending.

State General Fund Appropriations

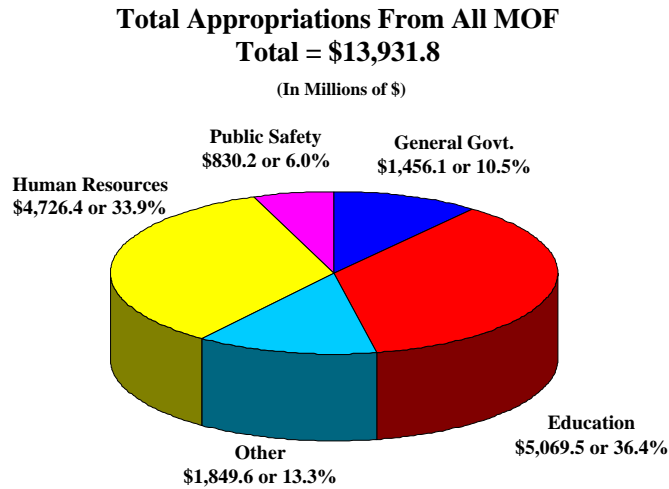
Total = \$6,112.8

(In Millions of \$)



Of the amount for education, \$2.14 billion is for the Minimum Foundation Program (\$95.5 million more in MFP funding comes from Lottery funds) and \$865 is for Higher Education. Human Resources funding includes \$879.1 million in State General Fund as state match for the Medicaid Program which makes up 84% of the total \$1.045 billion match requirement.

The distribution among functional areas of state government changes when all Means of Financing are included. This is primarily due to inclusion of Medicaid and other federal funding in Human Resources, Transportation Trust Fund for Capital Outlay in the Other category, and Self-Generated Revenue from tuition and Federal funding in Education. Total appropriations of \$13.9 billion are distributed as follows:



Budget Growth

The total state budget from all Means of Financing increased from \$13.890 billion in FY 99/00 (existing operating budget as of 12/03/99) to \$13.932 billion for FY 00/01, an increase of only \$42 million or 0.3%.

State General Fund spending increased from \$5.918 billion in the FY 99/00 existing operating budget (as of 12/03/99) to \$6.113 billion in FY 00/01. Even with the addition of \$211 in new taxes, this is a growth of \$195 million, or only 3%. If the FY 99/00 existing budget is adjusted to account for midyear budget cuts, the growth for FY 00/01 is about \$270 million or 4.6% over FY 99/00.

State Debt and Debt Service

Beginning with the 1993 Constitutional limit on debt service, the Legislature has placed a high priority on reducing outstanding debt, which in 1993 was almost \$6.5 billion in principal and interest. The Legislature has made several advance payoffs since then. Major debt issues paid in advance include the unemployment debt of \$830 million (1993), the Louisiana Recovery District debt of \$254 million (1996), and more than \$850 million of General Obligation principal and interest since 1995.

The Constitutional limitation applied to all types of Net State Tax Supported Debt. However, the Legislature has been particularly cautious in issuing new General Obligation Debt. Since 1993 it has limited itself to \$200 million per year of new General Obligation bonds, and in 1996 and 1999, the state issued no new General Obligation bonds.

These Legislative actions have lowered General Obligation debt significantly. At the end of FY 1999-00, General Obligation Debt principal and interest were \$2.364 billion. However, in the past 15 months other bonds that make up Net State Tax Supported Debt did increase. These included: \$151 million in Louisiana Office Facilities Corporation, \$55 million for Public Safety Bonds and \$36.5 million from refinancing of TIME bonds. As a result, principal and interest at the end of FY 1999-00 was \$3.344 billion. This is up somewhat from the previous year but still is a decline of almost 50% from Net State Tax Supported Debt outstanding in 1993.

Advance payment of General Obligation debt in the past four years also reduced annual debt service payments during the same period. However, the effect of these advance payments is much less in FY 2000-01 and thereafter. As a result, the debt service on Net State Tax Supported Debt increases sharply to \$328.2 million compared with only \$188 million in FY 1999-00. Debt service will rise gradually in FY 2002-03 and FY 2003-04, and then begin to fall substantially over the next several years. Despite these increases, FY 00/01 debt service has also declined over 54% from the 1993-94 annual cost of \$720 million.

The Constitution requires that in FY 2003-04 and thereafter, debt service shall not exceed 6% of the total revenue projected by the Revenue Estimating Conference. Based on debt currently outstanding, FY 2003-04 debt service will be 4.3% of projected revenues. With anticipated new debt sales, this would rise to about 5.5% of revenues, still below the 6% constitutional limit.

CAPITAL OUTLAY

Prior to gubernatorial vetoes, HB 2 (Capital Outlay Bill for FY 00/01) contained appropriations from all Means of Financing of \$2,846,051,177. The governor vetoed 10 items or provisions reducing Reappropriated Cash Funding by 200,000, General Obligation Bonds Priority 2 by \$1,642,459, Priority 3 by \$4,250,000, Priority 4 by \$4,000,000, and Priority 5 by \$12,027,128. After considering these vetoes, the total Capital Outlay program for FY 00/01 is \$2,823,931,590. The bill also limits the total amount of general obligation bonds that may be issued to \$762,905,000 (\$162,905,000 carried forward from FY 97/98, \$200,000,000 carried forward from FY 98/99, \$200,000,000 for FY 99/00, and \$200,000,000 for FY 00/01).

The following table provides the itemization of the Act by all Means of Financing:

MEANS OF FINANCING	
Federal Cash	\$ 17,818,530
Federal Cash – TTF	\$ 406,000,000
Transportation Trust Fund	\$ 132,018,000
TIMED Cash	\$ 70,330,438
Other Statutory Dedication	\$ 20,643,495
Self Generated Cash	\$ 28,519,482
Reappropriated Cash	\$ 4,835,310
Capitol Complex Master Fund	\$ 31,333,333
Interagency Transfers	\$ 8,000,000
Casino Revenues	\$ 31,321,149
Revenue Bonds	\$ 272,847,015
Total Cash and Revenue Bonds	\$1,023,666,752
General Obligation Bonds	
Priority 1	\$ 655,050,000
Priority 2	\$ 223,914,351
Priority 3	\$ 104,425,000
Priority 4	\$ 193,111,350
Priority 5	\$ 614,168,178
Total General Obligation Bonds	\$1,790,668,879
NRP/RBP	\$ 9,595,959
GRAND TOTAL	\$2,823,931,590
NRP is the allocation of previously sold bond proceeds. RBP is the appropriation of prepayments of reimbursement contracts.	

Capital Outlay Appropriations by Expenditure Category

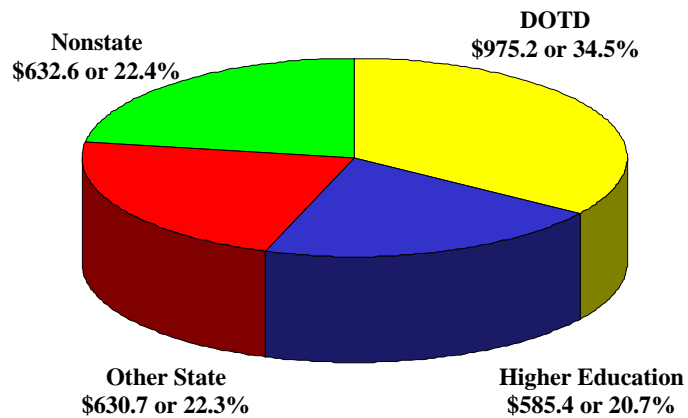
DOTD	\$ 975,237,230	34.5%
Higher Education	\$ 585,437,608	20.7%
Other State	\$ 630,659,902	22.3%
Nonstate	<u>\$ 632,596,850</u>	<u>22.4%</u>
	<u>\$2,823,931,590</u>	<u>100%</u>

“Other State” includes the Division of Administration, State Parks and Museums, Public Safety and Corrections, DHH and LSU Medical Center Health Care Services Division hospitals, DNR, Legislative, and Judiciary.

“Nonstate” includes ports, levee districts, parishes, municipalities and other non-state entities.

Capital Outlay by Expenditure Area

(In Millions of \$)



LEGISLATION OF FISCAL INTEREST

First Extraordinary Session, 2000

Sales and Use Tax

Continues to make inapplicable, inoperable, and of no effect certain exemptions from 3¢ of the state sales and use tax for FY 00/01 and 01/02. This primarily applies to food for home consumption and utilities (Act 18, HB 36).

Economic Development

Creates Louisiana, Inc. as a corporation to serve as the central source principal economic development organization of the state. Upon the creation of Louisiana, Inc., the Department of Economic Development is abolished. The functions of the department that are not transferred to Louisiana, Inc. are transferred to various other state agencies (Act 144, SB 88)

Louisiana, Inc. will begin performing its functions and the department will be abolished on March 1, 2001, but only if the constitutional amendment which originated as Senate Bill No. 74 (Act 153) is approved by the voters on November 7, 2000.

Intergovernmental Relations

Establishes the Medicaid Trust Fund for the Elderly (the fund) as a special fund in the state treasury. Provides that all money received by the state for the Intergovernmental Transfer Program (the program) be deposited in the fund.

The principal in the fund cannot be appropriated except for:

1. The re-basing of nursing homes in accordance with the state Medicaid plan.
2. The development and funding of a case mix reimbursement system for the Medicaid nursing home program.
3. The payment of all costs of local governments for participation in the program.
4. The enhanced payment to any local government-owned health care facilities or programs as required pursuant to approved written agreements with the state.
5. The reimbursement of costs incurred by the Department of Health and Hospitals (DHH) in implementing the program.

Interest earnings can be appropriated for services of the state Medicaid program in the following priorities:

1. For providing wage enhancements for direct care personnel working in Medicaid certified nursing homes.
2. For appropriations for services that are subject to federal matching funds.

The program, if approved by the federal Health Care Financing Administration, would allow DHH to contract with government-owned nursing facilities which would transfer certain funds to the state that would then be used as state match under the Medicaid program. The enhanced federal share received by the state from these local funds will be deposited in the fund and used as provided above. (Act 143, SB 71)

Education

Creates the New Orleans Center for the Creative Arts/Riverfront (NOCCA) as an independent state agency effective July 1, 2000. The purpose of NOCCA is to train high school sophomores through seniors in the arts in a state-owned facility designed for such purpose. NOCCA is governed by a 13-person board of directors. NOCCA is a regional facility serving qualified students from parishes in the New Orleans area. (Act 60, SB 66)

Gaming

Continues for FY 00/01 a law allowing the operator of the land-based casino to receive a credit against the required payments to the state for payments made to the city of New Orleans under the casino support services contract. The state is obligated to make the payments to the city. This law facilitates the payment of the obligation for the state. (Act 35, HB 214)

Creates a special taxing district in Calcasieu Parish to assist the state in administering the Louisiana Pari-mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act ("Slots at the Tracks"). The district is governed by a nine-person board of directors. The board is authorized to levy a tax of 18.5% of net slot machine proceeds derived from the operation of slot machines at a live horse racing facility in the parish. The proceeds of the tax are to be transferred to the state. (Act 151, HB 56)

Regular Session, 2000

Individual Income Tax

Limits the deduction for excess federal itemized deductions taken against the individual income tax. The deduction is reduced by 50% for tax years 2000 and 2001. (Act 38, HB 299)

Suspends the \$25 per child education tax credit for each dependent child of a taxpayer when the child is attending kindergarten, elementary, or secondary school. The credit is suspended for tax years 2000 and 2001. (Act 38, HB 299)

Exempts income of active duty members of the armed forces who are citizens of Louisiana. The exemption is for compensation for services outside the state. The exemption applies if such income is less than \$30,000 and applies to taxable years beginning after December 31, 2002 and ending before January 1, 2005. (Act 34, HB 180)

Exempts \$6,000 of annual disability income received by an individual who is totally disabled. The exemption does not apply to any individual who claims an exemption as provided by law for the blind, having sustained the loss of one or more limbs, for mental retardation, or deafness. (Act 34, HB 180)

Increases the adjusted gross income requirements of persons who may participate in the Student Tuition Assistance Revenue Trust Program. Makes deposits to the program exempt from state income tax beginning January 1, 2000. Allows direct deposit of income tax refunds into accounts established under the program. (Act 45, SB 81)

The “Stelly Package”

HB 295 revises the individual state income tax rate and bracket structure as follows:

<u>Rates</u>	<u>2% of adjusted gross income</u>	<u>3% of adjusted gross income</u>	<u>4% of adjusted gross income</u>	<u>5% of adjusted gross income</u>
Single	Up to \$2,500	\$2,500 to \$5,000	\$5,000 to \$25,000	over \$25,000
Joint	Up to \$5,000	\$5,000 to \$10,000	\$10,000 to \$50,000	over \$50,000

Disallows the various credits and deductions of the current income tax, except for the following deductions and exemptions:

1. Retains the current personal exemptions of \$4,500 for single filers and \$9,000 for married persons filing jointly.
2. Retains the current deduction of \$1,000 for each dependent.
3. Retains the \$6,000 exemption for retirement income for persons 65 or older.
4. Retains the exemption for social security income and state and federal public employees' retirement income.

Creates the Education Enhancement Fund and dedicates a portion of the proceeds of the income tax to the fund for pay increases for classroom teachers, faculty of postsecondary institutions, and education support personnel and for public education instruction and research needs. Repeals suspensions of exemptions from the state sales and use tax, primarily food and utilities, on 3¢ of the tax.

These provisions become effective on January 1, 2000 but only if the constitutional amendments which originated as House Bill No. 73 is adopted at the November 7, election. (Act 37, HB 295)

HB 73 is a constitutional amendment which deletes the requirement that federal income taxes paid are deductible from state income taxes. Provides that the state individual income tax schedule of rates and brackets cannot exceed the rates and brackets in effect on January 1, 2001. This amendment is effective on January 1, 2001, but only if adopted at the November election and then only if the proposed constitutional amendment which originated as House Bill No. 98 is also adopted at that election (Act 48, HB 73)

HB 98 is a constitutional amendment which provides that food for home consumption, natural gas, electricity, and water are exempt from state sales and use taxes. This amendment is effective on July 1, 2002, but only if adopted at the November 7 election and then only if the proposed constitutional amendment which originated as House Bill No. 73 is also adopted at that election (Act 49, HB 98)

Tobacco Tax

Increases the tax on cigarettes from 20¢ per pack to 24¢ per pack from July 1, 2000 through June 30, 2002. Levies a tax on smokeless tobacco of 20% of the invoice price effective July 1, 2000. The increase in the cigarette tax applies to all tobacco products purchased on or after August 1, 2000. (Act 32, HB 117)

Automobile Excise Tax

Extends the excise tax on automobile rental contracts for periods of no more than 29 days. The state tax is 2.5% of gross proceeds from such rental contracts. There is also a .5% local tax. The tax is extended through June 30, 2002. (Act 18, HB 193)

Telecommunications

Extends the state sales tax to the sale of interstate telecommunication services. The tax rate applicable to such services is 3% effective April 1, 2001, 2% effective April 1, 2004, and 1% effective April 1, 2016. The proceeds of the tax are deposited in a special fund established in the state treasury. Monies deposited in the fund are used to fund income and corporate franchise tax credits established for telephone companies. The credit is equal to 40% of ad valorem taxes paid by such companies for properties assessed at 25% of fair market value (public services properties). The credits are refundable to the taxpayer if the credit exceeds the tax liability against which the credit is applied. (Act 22, HB 224)

Sales and Use Tax

Makes inapplicable, inoperable, and of no effect certain exemptions from 1¢ of the state sales and use tax (the fourth penny) for FY 00/01 and 01/02. This primarily applies to food for home consumption and utilities. (Act 33, HB 140)

Excludes manufactured homes from the state sales and use tax. However, the initial sale of a new manufactured home will be taxed based upon 46% of the retail sales price. (Act 30, HB 44)

Extends the exclusion from local sales and use taxes for motor vehicles sold for subsequent lease or rental through June 30, 2002. (Act 28, HB 23)

Extends the exemption from state and local sales and use taxes for trucks with a gross weight of 26,000 pounds or more and for contract carrier buses, when such trucks and buses are used at least 80% of the time in interstate commerce. The exemption is extended through June 30, 2002. (Act 27, HB 22)

Legislation of Fiscal Interest

Gaming

Levies a state tax of 18.5% of taxable net slot machine proceeds for slot machines operated at live horse racing facilities pursuant to the Louisiana Pari-mutuel Live Racing Facility Economic Redevelopment and Gaming Control Act. (Act 41, HB 250)

Tax Credits

Provides for a \$5,000 tax credit for each new job created by a business in the motor parts manufacturing industry if such jobs are created in an enterprise zone. The credit can be taken against the income or corporation franchise tax. The credit is effective from July 1, 2000 through June 29, 2002. (Act 46, SB 85)

Extends the period for filing an application for a tax credit under the Louisiana Quality Jobs Program through December 31, 2002. For contracts for which an application is filed after June 1, 2000 and for renewals executed after that time, provides that to qualify for the credit the employer must pay not less than 75% of the health insurance of each full-time employee. Provides that group coverage for dependents shall be offered. Provides that to qualify for the credits, the employer must pay on average at least one and one-half times the minimum wage for all new direct jobs. (Act 46, SB 85)

TIME Program

Extends the length of allowable maturities for which program bonds can be issued from 20 years to 30 years. Extends the last date upon which such bonds can be issued from January 1, 2005 to January 1, 2010. (Act 1, SB 74)

Second Extraordinary Session, 2000

Sales and Use Tax

Makes inapplicability of exemptions to 1¢ of the state sales and use tax (the fourth penny) effective only until June 30, 2001, if the constitutional amendment contained in the Act which originated as HB 73 of the 2000 Regular Session is adopted at the election on November 7. (Act 7, HB 31)

The “Stelly Package”

Amends provisions relative to the Education Enhancement Fund enacted in House Bill No. 295 of the 2000 Regular Session. Provides that not less than 80% of monies in the fund be used for pay increases for classroom teachers, faculty, and other public school personnel. Provides that pay increases are to be in amounts determined by the legislature. Provides that the increase for elementary and secondary classroom teachers must take into consideration the SREB average salary. (Act 23, HB 30)

Wildlife and Fisheries Fees

Provides for various adjustments to fees charged by the Department of Wildlife and Fisheries. Provides specifically for fees for boat registrations, resident recreational hunting and fishing licenses, and nonresident recreational hunting and fishing licenses and nonresident recreational hunting and fishing licenses. Provides for a senior resident \$5 hunting and fishing license for residents who turn 60 after June 1, 2000. Provides for a \$15 fee to hunt on a Wildlife Management Area. Provides for a \$200 lifetime hunting and fishing license for infants (0-5). Provides for a Louisiana Sportsman's Paradise License of \$100 which includes all recreational licenses. (Act 1, HB 12)

Authorizes a one-time crab trap gear fee of \$45 beginning November 15, 2000 and ending December 31, 2001. The avails of the increase are to be used by the Department of Wildlife and Fisheries to secure federally imposed tariffs and/or quotas on imported crabmeat (Act 19, HB 21)

Provides for an additional \$10/acre fee to be collected from mineral lessees and deposited into the Louisiana Wildlife and Fisheries Conservation Fund and for an additional \$5/acre fee to be collected from mineral lessees and deposited in the Oil and Gas Regulatory Fund. The fees are assessed for the granting of exclusive and nonexclusive permits to conduct geophysical and geological surveys (seismic surveys) on state-owned lands. (Act 8, HB 33)

Higher Education Tuition Increases

Authorizes the LSU, Southern, and University of Louisiana system boards to increase the current tuition at each institution in each system by an amount that shall not exceed \$250 for an academic year. Authorizes the Board of Supervisors of Community and Technical Colleges to provide for such an increase in tuition not to exceed \$250 for an academic year, except at Louisiana Technical College where the increase can be no more than \$100 per academic year. Authorizes each management board to establish nonresident tuition and mandatory attendance fees that are at least the median of such tuition and fees applicable to Southern Regional Education Board institutions in the same category, excluding Louisiana. (Act 4, HB 10)

Retirement

Removes the waiting period and lessens the offset of benefits that apply upon reemployment of certain DROP retirees. Applies only to retirees who were at least 62 at the time of retirement and are rehired by the same institution of higher education who prior to retirement and upon reemployment are actually classroom instructors. (Act 18, HB 18)

Budgetary Procedures

Removes the requirement that interfund borrowing must be repaid by August 15 of the calendar year following the end of the fiscal year, but such requirement is only removed for the period from June 30, 2000 through June 30, 2001. (Act 5, HB 24)

Corrects the inadvertent action taken in enacting Act 897 of the 1999 Regular Session to provide for the correct deposit of certain fees and taxes on motor vehicles into the state general fund. Provides that the corrective measure is to be given retroactive effect. (Act 3, HB 8)

Individual Income Tax

Requires entities which are taxed as partnerships to file composite returns and to make composite payments. (Act 21, HB 25)

LEGISLATION WITH SIGNIFICANT REVENUE IMPACT

Explanation	SGF Impact For Fiscal Year (In Millions)				
	00/01	01/02	02/03	03/04	04/05
First Extraordinary Session, 2000					
Sales and Use Tax					
Suspends certain exemptions from 3¢ of the state sales and use tax (Act 18, HB36)	\$326.8	\$330.8			
Gaming					
Creates a special taxing district in Calcasieu Parish and authorizes the district to levy a tax of 18.5% on taxable net slot machine proceeds at a live horse racing track in the parish and requires proceeds to be transferred to the state (Act 151, HB156)		\$7.3	\$7.3	\$7.3	\$7.3
Regular Session, 2000					
Sales and Use Tax					
Suspends certain exemptions from 1¢ of the state sales and use tax (the "fourth penny") (Act 33, HB140)	\$110.0	\$110.0			
Excludes pharmaceuticals administered to livestock used for agricultural purposes (Act 33, HB140)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)
Renews exclusion for sale, lease, or rental of certain educational materials by approved parochial and private elementary and secondary schools (Act 33, HB140)		(\$6)	(\$6)		
Excludes 54% of value of a new manufactured home and 100% of value of used manufactured home (Act 30, HB44)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)
Renews exemption for the purchase of 26,000-pound trucks and contract carrier buses used 80% of the time in interstate commerce (Act 27, HB22)	(\$1.0)	(\$1.)			
Individual Income Tax					
Limits deduction for federal excess itemized deductions to 50% of the amount of such deduction (Act 38, HB299)	\$67.2	\$69.8			
Suspends the \$25 per child education expense tax credit (Act 38, HB299)	\$18.0	\$18.0			
Automobile Rental Excise Tax					
Continues the 2.5% tax on short term (29 days or less) lease or rentals of automobiles (Act 18, HB193)	\$4.4	\$4.4			
Tobacco Tax					
Increases cigarette tax by 4¢ per pack and levies a tax on smokeless tobacco at 20% of invoice price. The increase in the cigarette tax is for FY00/01 and 01/02 only (Act 32, HB117)	\$14.7	\$15.7	\$1.5	\$1.5	
Second Extraordinary Session, 2000					
Individual Income Tax					
Requires composite reporting and composite payment of entities taxed as partnerships (Act 21, HB25)		Increase	Increase	Increase	Increase

K-12 EDUCATION

- **\$86 million is appropriated for TOPS for FY 00/01**

The FY 00/01 budget for the Tuition Opportunity Program for Students is \$86 million: \$79.6 million for 34,212 TOPS awards, \$6 million for a higher education tuition increase and \$400,000 for 89 TOPS Teacher Loans. The FY 00/01 appropriation is a \$19.8 million increase compared with projected expenditures of \$66.2 million for FY 99/00. 34,212 awards are budgeted for FY 00/01 compared with 28,681 awards in FY 99/00. Current projections estimate that the program cost will level off at approximately \$85 million after FY 01/02.

- **\$2.244 billion is appropriated for the new MFP for FY 00/01**

The FY 00/01 MFP appropriation results in a \$25.6 million increase compared with the MFP expenditures for FY 99/00. Included in the total cost of the MFP is an increase in the employer cost for group health insurance. School systems will also benefit from reductions in local costs due to reduced school system expenses for employer retirement contributions. School systems have \$47 million in savings for Teachers' Retirement contributions and \$12 million in savings for School Employees' contributions.

The FY 00/01 MFP cost has been reduced due to a projected loss of 13,000 weighted students and a one-time reduction of \$22.9 million based on a portion of savings from retirement contributions and the increased costs of group health insurance. The total FY 00/01 MFP funding is a combination of \$95.5 million Lottery Proceeds and \$2.148 billion SGF.

- **\$14.3 million SGF is appropriated for Accountability Programs for FY 00/01**

The FY 00/01 budget for Accountability Programs includes \$7.5 million for Summer School and High Stakes Testing Remediation, \$3 million for School Improvement awards, \$2 million for Early Intervention Alternative Programs and \$1.8 million for Alternative School Programs for 4th and 8th Grades.

- **10 million SGF and \$750,000 8(g) is appropriated for LEAP Testing**

In FY 00/01, LEAP 21 Criterion Reference Tests in Math, English/Language Arts, Science and Social Studies for Grades 4 and 8 and the LEAP 21 Graduation Exit Exam for Grade 10 in English/Language Arts and Math will be given in Spring 2001. The 11th Grade Test (not yet modified) will be given in Science and Social Studies. Norm Reference Tests using the Iowa Tests will be given in Grades 3, 5, 6, 7 and 9.

- **\$14.3 million SGF is appropriated for K-3 Reading and Math Initiative and \$9.5 million is appropriated for Reading Excellence Program**

FY 00/01 is the fourth year in which appropriations were made for the K-3 Reading and Math Program. The \$14.3 million SGF is approximately 73% of the prior year funding level. In addition, \$9.5 million in Federal Funds are appropriated from the Reading Excellence Grant for FY 00/01 and will be awarded on a competitive basis.

- **\$14.1 million is appropriated from the Education Excellence Fund (Tobacco Settlement Funds)**

\$13.8 million will be allocated to public schools, \$255,000 will be shared among state special schools and \$45,000 will be available for nonpublic education. These funds may be used for pre-kindergarten through twelfth grade instructional enhancement for students. Expenditures for maintenance or renovation of buildings, capital improvements and increases in employee salaries are prohibited. This is the first year of a three-year allocation of an additional 10% of tobacco settlement revenues to the Education Excellence Fund, in addition to investment earnings.

- **\$13.2 million SGF is appropriated for Type 2 Charter Schools**

Type 2 Charter Schools are schools funded directly by the Department of Education from funds appropriated for that purpose. The FY 00/01 budget for Type 2 Charter Schools is \$13.2 million, which provides both the state and local funding on a per pupil basis. Local school systems do not support Type 2 Charter Schools with local funds. Approximately 13 Type 2 Charter Schools and 2,741 students are budgeted in the \$13.2 million appropriation.

- **\$5 million is appropriated for Classroom-based Technology from Land-based Casino Funds in Capital Outlay**

FY 00/01 is the fourth year in which appropriations were made for the Classroom-based Technology Program. The \$5 million Classroom-based funds are approximately \$5 per pupil. The pupil to computer ratio has improved from 88 to 1 in FY 96/97 to a present computer ratio of 8.7 to 1. In addition, \$15 million Federal Funds are appropriated as Title 3 Technology Literacy Challenge Funds which have been used previously for professional development consortium grants, training centers and as block allocations to school systems based on their free lunch count.

- **\$3 million SGF increase is appropriated for Special School Districts (SSD) for FY 00/01**

The increase in SGF for FY 00/01 is due to costs resulting from compliance with the U.S. Department of Justice Settlement Agreement regarding juvenile correctional facilities. SSD authorized positions increased by 26 for a total position count of 418. The Special School Districts employ the teaching and related administrative personnel providing education and related services for exceptional children enrolled in state-operated correctional and mental

health facilities and for regular and exceptional children enrolled in correctional facilities formerly administered under private contract with the state.

- **\$80,000 SGF is appropriated for teachers receiving certification from the National Board for Professional Teaching Standards**

FY 00/01 is the second year that public elementary and secondary teachers who hold a certificate issued by the National Board for Professional Teaching Standards and a valid state teaching certificate will receive a \$5,000 stipend. It is anticipated that 16 teachers will receive this stipend in FY 00-01.

- **\$27.9 million is appropriated for Nonpublic Educational Assistance for FY 00/01**

\$11.3 million is appropriated for reimbursement of Required Services, which is expected to reimburse 75% of those requests. \$5.5 million is appropriated for School Lunch Salary Supplements. \$7.6 million is appropriated for Transportation and \$3.5 million is appropriated for Textbooks. The FY 00/01 appropriation is equal to the FY 99/00 level. Approved nonpublic, nondiscriminatory schools also share in other funds, such as Classroom-based Technology, Education Excellence (Tobacco Settlement) and 8(g) Funds.

- **\$1.7 million is appropriated for Distinguished Educators**

FY 99/00 budget included \$1.2 million and 13 full-time Distinguished Educators. Funding for training 35 additional Distinguished Educators was added for FY 00/01. The role of the Distinguished Educator is to work directly with schools in corrective action which are not meeting their growth target. The cost of the program is expected to be approximately \$3 million in FY 01/02 as Distinguished Educators move from training to salaried costs.

- **\$38 million Federal Funds are appropriated for the Class-size Reduction Act**

FY 00/01 is the second year for this Federal appropriation. These Federal Funds are expected to finance the hiring of 400 additional teachers and reduce class size to 18 or fewer students in targeted 1st, 2nd and 3rd grades.

HIGHER EDUCATION

- **\$11.9 million State General Fund is appropriated to the Board of Regents for formula enhancement. Southern University-Baton Rouge will receive a portion of these funds to match federal funds.**

A portion of this funding will be allocated by the Board of Regents on a pro rata basis to postsecondary institutions. Most of the remainder will be used to increase the level of funding to those institutions that are farthest from the average funding for comparable SREB institutions based on the higher education funding formula.

Of this \$11.9 million, Southern University-Baton Rouge is allocated \$809,000. Federal law requires that the State provide non-federal matching funds to receive federal monies in support of the Agricultural Extension and Research Programs at Southern University-Baton Rouge. The federal government waived the match requirement for Southern University-Baton Rouge in FY 99/00, but the law stipulates that the match cannot be waived for FY 00/01.

- **\$10.3 million in Tobacco Settlement Funds is appropriated to the Board of Regents for competitive research grants in health care.**

\$10 million from the Louisiana Fund and \$300,000 in investment income through the Health Excellence Fund are provided for the grant program, supporting innovation in health care sciences. The funds are administered by the Board of Regents through an objective peer review-based competitive process. In FY 99/00, \$15 million was appropriated for this purpose, from which multi-year research grants were awarded.

- **An increase in funding of \$12.7 million State General Fund is appropriated to Louisiana State University Health Sciences Center. An additional \$2.4 million State General Fund is appropriated to the New Orleans campus for operating and personnel expenses related to the newly constructed Clinical Sciences Building.**

In FY 99/00, LSU Health Sciences Center-Shreveport had a projected budgetary shortfall of nearly \$24 million. The Shreveport campus asserted that this problem was caused in part by the transfer of about \$12.9 million annually from the Shreveport campus to the New Orleans campus. The additional appropriation of \$12.7 million is provided to correct this funding problem.

A new Clinical Sciences Building was recently completed on the New Orleans campus of the LSU Health Sciences Center. The additional appropriation of \$2.4 million is to fund the cost of operations and personnel expenses at that facility.

- **\$1.5 million State General Fund is provided for the Emerging Community College Pool.**

This pool continues to provide funding for the operation of developing community colleges and the Jefferson West Learning Center. The community colleges funded through this pool will include South Louisiana Community College, River Parishes Community College and Delta Community College. Of the appropriated funds, Delta Community College will receive not less than \$250,000.

- **\$2.5 million in State General Fund is appropriated for the Louisiana Gene Therapy Research Consortium, Inc., and \$5 million is appropriated for the LSU Health Sciences Center Cancer Center Research Program.**

During the 99/00 Fiscal Year, the Louisiana Gene Therapy Research Consortium, Inc. received \$375,000 from Tobacco Settlement Revenues. The Consortium is a joint venture between Tulane University Medical Center and LSU Health Sciences Center. For FY 00/01, the increased funding level for the Consortium is provided from State General Fund (Direct) instead of Tobacco Settlement Revenues. The LSU Health Sciences Center Cancer Center Research Program received \$5 million in Tobacco Settlement Revenues in FY 99/00, which has been replaced by State General Fund (Direct) for FY 00/01.

The law requires that Tobacco Settlement Revenues be distributed based on a competitive research proposal process developed by the Board of Regents. Since neither the Consortium nor the LSU Health Sciences Center Cancer Center Research Program was engaged in this competition, neither could receive Tobacco Settlement Revenues. The foregoing resulted in the swap of State General Fund for Tobacco Settlement Revenues.

- **An additional \$300,000 State General Fund is appropriated for the Louisiana Kidney Health Care Program located at LSU Health Sciences Center-Shreveport.**

The Louisiana Kidney Health Care Program provides services to statewide participants for the treatment of chronic kidney disease. Eligibility for the program is determined by income, chronic kidney condition, and other requirements. During the 1999 Regular Session, legislation that was passed expanded the eligibility for the program, thus increasing the overall cost. In FY 99/00, the program received \$400,000 State General Fund, while also using other sources of funding to assume the entire cost of the program. This additional appropriation will bring the total State General Fund support for the program to \$700,000.

- **\$4,260,486 SGF is provided for aid to independent institutions of higher education.**

R.S. 17:2053 provides that an independent institution may receive, for each student who has completed one full-term semester and is a Louisiana resident, an amount from the state not to exceed one-tenth of the average formula amount given to each public higher education institution per student. Independent institutions now receiving this assistance include Centenary College, Dillard University, Our Lady of Holy Cross College, Louisiana College, Loyola University, Our Lady of the Lake College, St. Joseph Seminary College, Tulane University, and Xavier University.

- **\$1,300,000 SGF is appropriated for the Louisiana Endowment for the Humanities.**

The Louisiana Endowment for the Humanities (LEH) was transferred to the Board of Regents for FY 00/01 from the Department of Culture, Recreation and Tourism. The appropriation for FY 00/01 is a reduction of \$400,000 from the funding level of \$1.7 million provided to LEH for the previous two fiscal years. The LEH engages in statewide initiatives to increase cultural awareness, including professional development for teachers and others; literacy programs for at-risk children and their families; reading programs; quarterly publication of *Louisiana Cultural Vistas*, a magazine focused specifically on education and culture; grant funding to local institutions throughout the state; and maintenance of film, video, and other cultural resources.

- **Gubernatorially-mandated personnel reductions were made within higher education management boards.**

Gubernatorially-mandated personnel reductions were made at all of the higher education management boards except the Southern University Board of Supervisors. These reductions were as follows: Board of Regents (6 positions)-\$219,020; LSU Board of Supervisors (2 positions)-\$73,007; UL Board of Supervisors (2 positions)-\$73,007; and LCTCS Board of Supervisors (4 positions)-\$146,013.

- **State General Fund support is eliminated for the Louisiana Technical Resource Center (\$489,607), and funding is reduced for administrative personnel for the Louisiana Technical College (\$160,000).**

The Louisiana Technical Resource Center located in Natchitoches functions as a copy center and a curriculum development resource for the Louisiana Technical College and some of the community colleges under the administration of the Board of Supervisors of the Community and Technical College System. With the removal of State General Fund, the only source of revenue for the Center is self-generated. The Board of Supervisors of the Community and Technical College System has indicated that it anticipates maintaining a portion of the services provided by the center through self-generated resources.

From the Louisiana Technical College budget, \$160,000 for administrative salaries was also eliminated. This reduction was based on administrative positions that have been vacant for an extended period of time.

- **The Southern University-Baton Rouge appropriation has been broken out to provide a separate appropriation for the Southern University Law Center.**

An amount of \$4,997,877 was reduced from the Southern University-Baton Rouge appropriation to produce a separate schedule for the Southern University Law Center. This action was taken to help the Law Center in its accreditation process.

- **The Board of Supervisors of Community and Technical Colleges is to allocate funds to the individual campuses of the Louisiana Technical College based on a formula adopted by the board to be implemented over four years.**

The Board of Supervisors of Community and Technical Colleges recently adopted an allocation formula for the campuses of the Louisiana Technical College, with a planned phase-in over 36 months. Through this formula, the board will reallocate funds among schools based on number of students and cost. The goal of the board will be to bring the cost per student at the individual campuses closer to a statewide average for each instructional program. Language inserted in the appropriation to the Louisiana Technical College provides for implementation of the formula over a 48-month period, allowing additional time for schools to adjust to new funding levels.

HEALTH AND SOCIAL SERVICES

Medicaid

- **Overall Medicaid growth is 2.2%, while state funds growth is only 1%**

The total Medicaid budget for FY 00/01 is \$3.574 billion. Compared with current expenditure estimates, this is an increase of \$76.3 million, or 2.2%, over FY 99/00. State funds used for match increased by only 1% due to a slightly better match rate for Medicaid, the reduced match rate for LaCHIP, and several appropriations that use Federal Funds only. Payments to private providers increase by \$136 million. Payments to state facilities and Uncompensated Care decline by \$59 million due to elimination of several one-time payments in FY 99/00. Medicaid Administration costs are \$110.9 million, a decline of 3% compared with FY 99/00. Major changes affecting the Medicaid budget are described below.

- **Over \$500 million is available to continue the Prescription Drug and the Medically Need Programs**

The Medicaid budget includes \$450 million for prescription drugs, which is up 16.3% over FY 99/00 spending. The Medically Needy Program is also funded at an estimated cost of \$52.3 million for FY 00/01. State matching costs for the discretionary components of the Prescription Drug Program and the entire Medically Needy Program were originally contingent on enactment of new revenues by the legislature.

- **Over \$100 million is appropriated to restore the 7% Medicaid rate cuts implemented in FY 99/00, but many other reductions will remain in effect**

The Medicaid budget includes \$102.3 million to restore the 7% rate reductions that affected most private providers in FY 99/00. The state match for this restoration is from newly enacted revenues. Other restored cuts include \$1.6 million for outpatient rates at small rural hospitals and \$1.5 million to restore certain cuts affecting extended home health services. However, most other reductions announced by DHH earlier this spring will continue in FY 00/01, including the following:

- ⇒ Crossover payments paid to various providers who treat dual eligible (Medicare/Medicaid) patients - \$61.9 million savings.
- ⇒ Hospital length-of-stay reductions and reduced initial payments for hospital outpatient services - \$62.1 million savings.
- ⇒ Reduced leave-day payments at nursing and ICF/MR homes - \$5.1 million savings.
- ⇒ Reductions for durable medical equipment due to specific payment adjustments - \$3.8 million savings
- ⇒ Reduced drug cost payments paid to pharmacies - \$11.7 million savings (includes veto of AWP language which was intended to restore cuts to independent pharmacies)

- **\$18.5 million is included for a new disabled children's waiver program and the expansion of LaCHIP up to 200% of the Federal Poverty Level**

The final budget includes \$9.1 million for a new Home and Community Based Waiver for disabled children. This new waiver will have eligibility requirements similar to TEFRA. It is expected to serve 500 to 800 children by providing regular Medicaid coverage and a cost-limited set of home care services, such as personal care or sitter services. Details on how this waiver will work are not yet available from DHH.

An appropriation of \$9.4 million will allow LaCHIP (Children's Health Insurance Program) to expand eligibility to include children from families with incomes up to 200% of Federal Poverty Level (\$34,100 for a family of four, or \$28,300 for a family of three). Enrollment will start sometime after January 2001. This expansion will qualify an estimated 31,000 new children for eligibility, of which 22,000 are expected to enroll in the first 12 to 16 months. DHH also expects this expanded eligibility to include up to 1,100 disabled children who do not qualify for Medicaid and are not in an MR/DD waiver slot.

- **The TEFRA eligibility option is not implemented for FY 00/01.**

Although the final Medicaid budget does not include the TEFRA eligibility option desired by MR/DD advocates, disabled children will benefit substantially from the new waiver program and the LaCHIP expansion. Up to 1,900 disabled children or 38% of the 5,000 children estimated to be eligible under the TEFRA option are expected to begin receiving health care services by July 2001.

- **\$51.8 million is added to Medicaid to address unreasonably low rates for various private health care providers**

In recognition that some Medicaid payments are so low that provider participation in Medicaid is at risk, the Legislature provided \$51.8 million in state and federal funds to address the following critical rate inequities:

\$ 18.6 million	Physician rate adjustments
\$ 14.5 million	Rate adjustments for private nursing homes, with state match provided by a fee on nursing home beds
\$ 7.0 million	Emergency and non-emergency ambulance transportation
\$ 4.8 million	Rate adjustments for private ICF/MR homes, with state match provided by a fee on ICF/MR beds
\$ 4.3 million	Rate increases for adult dentures and children's dental services
\$ 2.5 million	Certain MR/DD waiver services where payments are less than minimum wage cost

- **\$30.2 million is added to pay outstanding cost settlements to private hospitals**

An \$8.9 million appropriation from revised FY 99/00 revenues funds the state matching cost to pay a total \$30.2 million in outstanding hospital cost settlements considered payable as of

April 26, 2000. Some of these amounts have been owed for several years but have not been paid due to budget problems in Medicaid. Because cost settlements are no longer part of the hospital payment methodology, these settlements are largely a non-recurring cost. Funding for cost settlements owed to small rural hospitals is included in another part of the budget, as explained below.

- **\$36.1 million is added for higher payments to small rural hospitals, but these payments are contingent on federal approval of financing mechanism that relies on intergovernmental transfers.**

Several funding enhancements for small rural hospitals are in the budget, but these are contingent on a new financing mechanism that relies on intergovernmental transfers. Once this financing mechanism is approved by federal Medicaid authorities, DHH will make federal funds payments of \$16.1 million to public hospitals and other public providers that can certify unreimbursed expenditures on behalf of Medicaid patients. These providers must return 95% of these payments, or \$15.4 million, to DHH as an intergovernmental transfer. DHH will use this money as state matching funds for \$36.1 million of new payments to small rural hospitals. As the intergovernmental transfers become available, DHH will make total payments in the following order unless modified by the Budget Committee:

\$ 18.2 million	Restoration of crossover and other rate cuts
\$ 6.7 million	State's matching cost associated with uncompensated care payments
\$ 5.1 million	Payment of outstanding cost settlements
\$ 6.1 million	Implementing a cost-based payment system

- **Half of the Care Coalition concerns are addressed in the FY 00/01 Budget**

The Care Coalition represented many of the private health care providers affected by the FY 99/00 Medicaid reductions. The following budget-related Care Coalition concerns were addressed:

- ⇒ Restoration of the 7% rate reductions. However, other reductions, especially those affecting hospitals, were not restored.
- ⇒ Payment of hospital cost settlements, but at lower levels that proposed by the Coalition
- ⇒ Funding for increased pharmacy costs, including higher utilization and more expensive drugs
- ⇒ Physician fee adjustments to offset reduced crossover payments
- ⇒ Non-emergency transportation rates for ambulances that are comparable to other states
- ⇒ The Medicaid appropriation does not include money for increases in hospital cost of care or nursing home rate re-basing, both of which were proposed by the Care Coalition. However, it does provide for a rate increase for nursing homes to be paid with an increase in provider fees.

- **State facility and Uncompensated Care Payments for continuing activities change by less than 1% from FY 99/00 levels**

Total Medicaid client payments and Uncompensated Care Costs (UCC) for FY 00/01 are some \$59 million less than for the current year. However, included in FY 99/00 payments is \$60.3 million for non-recurring costs or one-time financing changes, and the elimination of these items should not affect service levels.

For continuing activities, state facilities will receive Medicaid payments for FY 00/01 that are only slightly less than for FY 99/00. FY 00/01 state facility payments for treating Medicaid clients are \$388.1 million, while UCC payments for uninsured patients are \$741.4 million. After adjustment for one-time costs, the comparable amounts for FY 99/00 are \$390.5 million in Medicaid clients and \$744.5 million in UCC payments. In FY 00/01 UCC will also include \$6.8 million for a new acute psychiatric unit at the Medical Center of Louisiana at New Orleans. With this new activity included, total Medical Vendor payments to state facilities for continuing activities in FY 00/01 will be about \$1.8 million greater than in FY 99/00.

For private and rural hospitals, FY 00/01 UCC payments are \$31 million, of which \$20 million will be made with Federal funds only. This total is unchanged from FY 99/00. Additional rural hospital payments for uncompensated care are also included, but they are contingent on approval of a new intergovernmental transfer financing mechanism (see rural hospital item above).

Public Health

Total funding for the Office of Public Health is \$234,177,215, or 4% above its current year budget. All of the increase is accounted for by additional funds from non-State General Fund sources.

- **Increased funding of \$1.6 million is provided to School-based Health Centers.**

Next year the school based health program will receive an additional \$1.6 million from the Louisiana Fund (Tobacco Settlement Revenues). The increase brings total funding for the program to \$6.3 million, with all of the state funds from tobacco settlement revenues, except for \$39,137 of state general fund monies. The additional funds will provide for expanded hours for part-time centers, operational grants for centers now in the planning phase, and for planning grants for new centers. There are now 40 centers in 20 parishes across the state. By next year's end, another six centers will be added. The school-based health centers provide primary and preventative care to children and adults in low-income neighborhoods.

- **The Nurse Home Visitation Program will be expanded with addition of \$1.6 million in Medicaid funds.**

An additional \$1.6 million in Medicaid funds will replace \$1 million in federal Maternal and Child Health Block Grant funds that provided for program start-up costs and bring half teams

in Houma/Thibodaux and Lake Charles to full team staffing. Full teams (8 nurses and a supervisor) are already in operation in Lafayette and Monroe. Total funding for the program will be \$3.3 million in Medicaid funding. The program aims to improve pregnancy, child health and child development outcomes and to reduce child abuse and injuries through educational home visits by nurses to low-income first time mothers.

- **AIDS Drug Assistance Program will receive an increase of \$2.4 million in Federal Funds.**

The ADAP program will receive an additional \$2.4 million in federal funds next year, bringing total funding to \$18 million, with \$9 million coming from the federal government and \$9 million from the state's "charity" hospitals which administer the drugs to indigent HIV/AIDS patients.

- **Women, Infants and Children Program (WIC) Federal funding grows by \$3.2 million.**

This increase in federal funds will bring total funding for the WIC program next year to \$78.5 million. The program is projected to provide nutritious foods to 140,000 low income pregnant or nursing women and their children.

- **Fees were increased for many public health services, generating \$5.6 million in revenues.**

Act 125 (HB 130) of the 1st Special Session of 2000 raised fees on a number of public health services and is estimated to increase the agency's self-generated revenues by a total of \$5.7 million next year. Services for which fees will be increased include public water supply testing, individual sewerage permits and inspections, infectious waste permits, commercial seafood inspections, parish health unit service charges, vital records copies, and drug and food safety examinations.

- **Tobacco settlement funds for smoking prevention programs were reduced by \$2.5 million.**

In FY 99/00, \$3 million was appropriated from the Louisiana Fund for smoking prevention and cessation programs. During the year tobacco settlement revenues were lower than expected, and \$2.5 million of the \$3 million originally appropriated was reduced from the OPH budget. Next year's budget maintains this reduction.

- **Positions are reduced 5% from current year levels with a cut of 109 positions.**

The reductions may result in service reductions, including the possible closure of some parish health units.

Mental Health

- **DHH is authorized to reorganize state mental health agencies.**

Currently, state mental health agencies are organized along inpatient and outpatient lines. There are six hospitals and a combination state office and community (outpatient) program. The Executive Budget formalized the consolidation of three of the six hospitals (Feliciana Forensic Facility, East Louisiana State Hospital, and Greenwell Springs State Hospital) into one agency, the Eastern Louisiana Mental Health System.

Language in HB1 further permits the reorganization of all state mental health agencies into a state administrative office and three agencies that integrate inpatient and outpatient care in the southeast, southwest, and central and northern regions of the state. The reorganization is intended to bridge the gap between hospital and community-based services, and help to maintain mentally ill individuals' health in the community and avoid hospitalization.

- **Funding restored to community mental health clinics, using \$3.5 million in Medicaid funds.**

During the budget process, position and State General Fund reductions to the Office of Mental Health threatened the closure of one-third of all community mental health clinics statewide. House Appropriations Committee action restored \$3.5 million and 120 positions to OMH specifically to maintain community-based services across the state. Because the funding restored was Medicaid, and not SGF as is required for community-based services under the current organization of state mental health agencies, a speedy reorganization is required for the clinics to be maintained as intended.

State Medicaid rules allow for Medicaid funds to pay for outpatient treatment provided by an inpatient facility, and the "charity" hospitals now fund their clinic services in this way. Currently, however, community mental health clinics are independent of state mental health hospitals. Language in HB1 permits the reorganization of state mental health agencies, and the Department intends the reorganization to facilitate the use of Medicaid funds for outpatient mental health services, specifically by administratively pairing community clinics with inpatient facilities in the same region.

- **\$2.4 million in SGF is provide for enhanced funding for outpatient anti-psychotic drugs.**

The additional funds provide for the purchase of newer, more effective medications for a greater percentage of community mental health clinic clients. Studies show the newer drugs avoid hospitalization or reduce the length of hospital stay more often than older medications.

- **Enhanced funding for treatment for Orleans Parish jail inmates requires \$8 million.**

A total of \$8 million -- \$1.3 million for jail-based treatment and \$6.7 million for acute psychiatric services -- was added to the budget of the Eastern Louisiana Mental Health

System to restore mental competency to Orleans Parish jail inmates. The enhancement is intended to avoid further federal court action regarding implementation of a plan to reduce the number of inmates waiting more than 90 days for mental health treatment. This plan addresses the *Hamilton v. Moreal* lawsuit regarding prompt treatment for inmates found incompetent to stand trial or not guilty by reason of insanity, and was first implemented in FY 99/00 with a \$2 million appropriation.

- **Funding for state mental health hospitals is down 6% from FY 99/00 level and is expected to result in service reductions.**

Restorations to state mental health hospitals were contemplated during the budget process but did not take place. In all, funding for Central, Eastern, Southeast and New Orleans Adolescent Hospital is \$8.1 million below current year levels. The facilities have a total of 147 or 6% fewer positions than in the FY 99/00. The funding and positions reductions are expected to cause service reductions, the most notable of which are the possible closure of all children's beds statewide and a scaling back of services for patients who have come to state mental health treatment via the criminal justice system.

The total number of positions for all of the Office of Mental Health, including the hospitals, administrative, and community programs is reduced by 177 positions, 5% less than in FY 99/00.

Developmental Disabilities

- **Developmental centers were restored to within 1% of FY 99/00 budget.**

Funding reductions to developmental centers during the budget process threatened the closure of a significant number of beds statewide. To avoid any bed closures the Legislature restored a total of \$8.8 million and 392 positions to these institutions. For budget details by developmental center see below.

	FY 00/01		Net Change from FY 99/00	
	Total funding	Positions	Total funding*	Positions
Peltier Lawless	\$4,691,344	106	(\$18,864)	(8)
Metropolitan	\$22,291,202	533	(\$144,662)	(2)
Columbia	\$3,182,467	88	(\$21,160)	(5)
Hammond	\$32,582,457	807	(\$201,441)	(60)
Northwest	\$13,658,646	399	(\$93,220)	(6)
Pinecrest	\$75,549,688	2,087	(\$492,548)	(93)
Ruston	\$7,004,138	203	\$107,942	(14)
Southwest	\$9,440,076	244	(\$61,809)	(20)
TOTAL	\$168,400,018	4,467	(\$925,762)	(207)
<i>*Adjusted for reductions to pass-through funding for SSD#1 and Risk Management</i>				

Despite a number of position restorations during the budget process, developmental centers were reduced from FY 99/00 levels by a total of 207 positions.

Health and Social Services

- **Funding was reduced by \$1.6 million for Office of Citizens with Developmental Disabilities administrative and community programs.**

Total funding for the Office for Citizens with Developmental Disabilities administrative and community programs is \$33 million, which is \$1.6 million below the current year budget including loss of 26 authorized positions.

Addictive Disorders

- **SGF reductions may cause the state to lose federal funds.**

A total of \$832,086 in SGF was reduced from OAD. The reduction may result in the state failing to meet its Maintenance of Effort requirement for the federal Substance Abuse Prevention and Treatment block grant next year, which in turn may result in reduced federal block grant funding for FY 01/02. For each dollar the state falls below its MOE, one dollar of federal funds could be reduced.

Social Services

- **Departmental reductions in personnel and State General Fund are substantial. However, the amount of federal funds appropriated has increased, causing a net increase in total funding of 2%.**

DEPARTMENT OF SOCIAL SERVICES: CHANGE IN FUNDING AND POSITIONS

FY 99/00 Existing Operating Budget			FY 00/01 (HB1)		Percentage Change	
	Funding	T.O.	Funding	T.O.	Funding	T.O.
Total	\$ 810,680,869	6,523	\$ 829,927,049	5,845	2%	-10%
SGF	\$ 218,950,607		\$ 208,716,424		-5%	

The department has sustained a large amount of cuts due to an Executive Order spending freeze and a reduction in personnel of 678 positions and \$20 million (\$9.9 million State General Fund) shown in the table below. The bulk of the cuts (423 positions and \$16.6 million) are in the Office of Family Support, which administers the welfare grant, child support enforcement, and other programs.

PERSONNEL REDUCTIONS IN THE DEPARTMENT OF SOCIAL SERVICES

Agency	Total Funding	Number of Positions
Office of the Secretary	(\$1,029,673)	(38)
Office of Family Support	(\$12,666,814)	(423)
Office of Community Services	(\$ 4,999,792)	(155)
LA Rehabilitation Services	(\$1,522,774)	(62)
TOTAL	(\$ 20,219,053)	(678)

- **Expenditure authority for federal TANF welfare grant funds increased by \$78 million to annualize a budget adjustment and to expand services with unobligated block grant funds.**

The net increase in total funding for the department shown in the previous table is largely due to the additional expenditure authority of Temporary Assistance to Needy Families (TANF) block grant unobligated funds. Several additions totaling over \$73.5 million in federal monies include funding for:

- Wrap around child care to provide services before and after school \$ 24,000,000
- \$50 increase in the average monthly welfare cash grant \$ 18,600,000
- Expansion of the teen pregnancy prevention programs \$ 3,535,000
- Annualization of an adjustment made in the regular child care program \$ 27,426,488

An additional \$4,475,500 in Federal Funds is allocated to upgrade the Louisiana Support Enforcement computer system.

- **Personnel reductions in the Office of Family Support could affect the agency's ability to meet federally mandated work participation rates.**

Because of Executive Order cuts during FY 99/00, the office is losing almost \$4 million in State General Fund used as maintenance of effort dollars which are required to receive the TANF block grant. If DSS does not meet its work participation requirements, the state will be required to reappropriate this funding in order to bring the maintenance of effort level back to \$59 million. The 12% cut in staff could affect the ability of the agency to assist clients in attaining work thus jeopardizing the state's work participation rates. Possible consequences of not meeting the work participation rates include penalties and a decrease in the federal TANF funds if the maintenance of effort funds are not restored. The reductions do not include costs for merit increases, inflation and retirement contribution increases, totaling \$6,964,064, which the department will also have to absorb.

- **Louisiana Rehabilitation Services loses 62 positions and \$626,000 in State General Fund.**

LOUISIANA REHABILITATION SERVICES: CHANGE IN FUNDING AND POSITIONS

FY 99/00 Existing Operating Budget		FY 00/01 (HB1)		Percentage Change	
Funding	T.O.	Funding	T.O.	Funding	T.O.
\$78,947,294	510	\$73,047,414	450	-7%	-12%

While a third of the positions to be cut are vacant, the personnel reduction could have an impact on services. Specifically, public community rehabilitation facilities may see their services limited. Twenty-four hour care at certain facilities could be scaled back, especially in light of declining usage and referrals.

Health Care Services Division

- **Total funding of \$786 million for state hospitals is down less than 1% from the FY 99/00 budget level.**

Total funding for the HCSD system is \$786 million for FY 00/01, or \$6 million below the FY 99/00 level. While this is less than 1% below last year's budget, reduction of 359 positions represents a 4% decrease from current year levels

TRANSPORTATION

- **Mandated personnel cuts reduce DOTD authorized positions by 252 and \$8.7 million, but DOTD does not expect to make layoffs.**

The governor's mandated personnel reductions reduced authorized positions by 252 compared to current staffing authority. This \$8.7 million cost reduction affects Transportation Trust Funds (TTF). Most of the position cuts are in highway design, contracts, and in district offices statewide. These reductions also eliminated funding and 38 new positions that had been requested by DOTD. DOTD expects to manage these reductions through normal attrition.

- **\$5.8 million for increased acquisitions and \$1.2 million for increased planning studies are provided.**

The FY 00/01 budget includes an increase of \$5.8 million TTF for equipment acquisitions. \$5.4 million will replace old equipment used by district or statewide crews, and \$400,000 is for replacement of the DOTD telephone switching system. An additional \$1.2 million from TTF and federal funds provide for statewide planning studies and one departmental study for future automation requirements.

- **\$1.75 million approved for salary increases for engineers in non-management positions.**

As part of its FY 98/99 reorganization, DOTD committed to improved career opportunities for engineers who choose to stay in technical positions in the department, rather than move into management. This "Dual Ladder" advancement plan includes \$1.75 million in FY 00/01 salary enhancements for engineering candidates in the Highways Program. The funding source is TTF.

- **\$4 million of TIME funds is used for DOTD operating expenses.**

For the first time, DOTD will spend TIME revenues for operating expenses of the department. The Executive Budget includes \$4,000,000 from TIME to finance activities in the Highways Program. DOTD maintains that it is now spending more time and effort on TIME project design. Although not specifically addressed in the TIME law, DOTD has always had authority in the Capital Outlay Act to transfer up to 6% of capital project funding to its operating budget. Based on TIME Program capital outlay appropriations, this would be 5.4% of the total TIME appropriations for FY 00/01.

- **DOTD fails to gain funding for the purchase of a replacement airplane.**

A DOTD request for \$1.5 million to purchase a replacement airplane for use in aerial photography and other department functions was rejected by the House during the Regular Session and was not restored.

- **Elimination of the General Aviation and Reliever Airport Maintenance Grant Program, funding for FY 00/01.**

The program has been active for the past two years. It made small matching grants to small communities with general aviation airports. Grants were used for basic maintenance work and required the airport to provide an equal amount in matching funds. The program was previously funded with SGF.

- **\$521,000 in increased federal funds is appropriated for purchase of vehicles for local transportation agencies.**

This increased federal assistance brings the total available for purchases of local transit system vehicles to \$4.4 million. Vans are allocated on a need basis among the state's 30 approved rural transit systems.

As part of the major construction Priority Programs, DOTD will manage \$975 million in cash capital outlay funds for highways, the TIME program, ports, flood control and aviation projects. The Table below compares spending authority for the highway programs for the past four years.

Comparison of DOTD Highway Program Spending

	(\$ Millions)			
Total Overlay Funding	FY 97/8	FY 98/9	FY 99/0	FY 00/1
TTF Overlay	\$89.0	\$59.0	\$77.0	\$40.0
State General Fund	\$35.0*	\$15.0*	\$0.0	\$0.0
Federal Funds	\$30.0	\$76.0	\$83.0	\$120.0
Total Overlay Funding	\$154.0	\$150.0	\$160.0	\$160.0
*Supplemental Overlay Appropriation at end of 1996-97 and 1997-98, respectively				
Highway Construction Program				
TTF Federal Match	\$20.0	\$51.0	\$50.0	\$20.6
Federal Funds	\$222.0	\$276.0	\$323.0	\$276.0
TTF State Funded Construction	<u>\$23.1</u>	<u>\$11.1</u>	<u>\$15.2</u>	<u>\$10.3</u>
Total Road Construction	\$265.1	\$338.1	\$388.2	\$306.9
Other Highway Construction				
Time Program	67.3	67.3	71.6	70.3
Hazard Elimination Projects				\$8.0
Miscellaneous	6.3	9.7	9.7	9.7
Contract Maintenance Spending				
Operating Budget Contracts – TTF	\$31.0	\$17.4	\$25.8	\$30.0
Capital Outlay Budget – TTF	\$20.0	\$13.4	\$20.0	\$10.0
Capital Outlay Budget – Fed	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$10.0</u>
Total Contract Maintenance	\$51.0	\$30.8	\$45.8	\$50.0

Using cash management to manage total outlays, the Port Construction and Development Program will receive a \$25 million appropriation for continuing projects and to authorize new projects not to exceed \$25 million. The Statewide Flood Control Program will receive a \$5 million appropriation for continuing projects and to authorize new projects not to exceed \$10 million in total costs. The State Aviation Improvements Program will receive \$5 million for continuing projects and to authorize new projects not to exceed \$5.1 million.

In addition to projects funded in the various priority programs, DOTD will also manage \$345 million in bond-financed projects, including \$64 million from Bond Priority 1. These include roads, flood, port and DOTD facility projects. Other specific projects will receive cash funding totaling \$20.9 million. These are primarily for DOTD facilities or for projects of the Crescent City Connection Division in New Orleans.

MILITARY AND VETERANS AFFAIRS

Military Affairs

- **\$15.2 million in total state and federal funds is appropriated for the operation and maintenance of the Gillis W. Long Hansen's Disease Control Center Carville Complex and the Youth Challenge Program.**

H.R. 2264 of the 1997 U.S. Congress transferred ownership of Gillis W. Long Hansen's Disease Control Center to the state of Louisiana. The Governor's Office of Military Affairs is currently utilizing the facility to operate the Youth Challenge Program and a Job Challenge Program. Future plans include the establishment of a federal Job Corps Center and a 100-bed nursing care facility for War Veterans.

The Carville Academy aids high school dropouts in acquiring life enhancing and employable skills. Participants are aged 16-19, unemployed, drug-free, and free from serious involvement with the legal system. The program consists of a five-month residential training program and twelve-month post-residential mentor phase. In lieu of the \$1,200 stipend normally awarded to program graduates, the combined program offers the graduate a position in the Job Challenge Pilot Program (see below). There are two classes a year with 200 slots per class.

- **\$400,000 in federal funds will be transferred from the Louisiana Department of Labor to fund the Job Challenge Program.**

In January 1999, the U.S. Department of Labor announced that the Carville Academy would be a Job Corps Center. Due to the delay in the implementation of this Center, Military Affairs, state officials and private industry are working together to offer a job training program for graduates of the Youth Challenge Program. Training is offered in welding, carpentry, heavy equipment, nursing assistance and food service. In FY 99/00, some 80 youths graduated from the Job Challenge Program with 80% placed in jobs statewide.

- **The Capital Outlay Bill provides \$23.8 million for various projects statewide.**

These projects are funded by \$14.2 million in Federal Funds, and \$9.6 million in General Obligation Bonds in Priorities 1, 2 and 5 and include:

\$16.5 million for infrastructure construction and renovation

\$ 3.2 million for maintenance and repairs

\$ 4.1 million for regional hazard mitigation projects

Veterans Affairs

- **The Capital Outlay Bill provides \$20.4 million for four new War Veteran's Homes.**

The Southwest Louisiana War Veterans Home in Jefferson Davis Parish is funded with \$430,000 in Priority 2 and \$5.1 million in Priority 5 General Obligation Bonds. The Northwest Louisiana War Veterans Home in Bossier Parish is funded with \$575,000 in Priority 2 and \$6.6 million in Priority 5 General Obligation Bonds. The Southeast Louisiana War Veterans Home, which will be located in either St. Bernard or St. Tammany Parish, is funded with \$385,000 in Priority 2 and \$4.6 million in Priority 5 General Obligation Bonds. The Northwest and Southeast homes have been included in the Capital Outlay bill since FY 97/98 but did not receive bond funding. The South Central Louisiana War Veterans Home in St. John the Baptist Parish, added for the first time this year, is funded with \$200,000 in Priority 3 and \$2.5 million in Priority 4 General Obligation Bonds.

In addition to funding through the Department of Veterans Affairs, the Department of Military Affairs is appropriated \$2.0 million for renovations to the Gillis W. Long Hansen's Disease Control Center Carville Complex. These renovations will provide Veterans Affairs with a 100-bed nursing care facility.

PUBLIC SAFETY AND CORRECTIONS

Corrections Services

- **There is a \$4.3 million reduction associated with the elimination of 127 positions.**

As part of the gubernatorially-mandated personnel reductions, the overall number of authorized positions was reduced by 127. These are allocated among Headquarters, the nine adult correctional facilities and the three juvenile facilities.

- **A \$5.1 million reduction due to the closure of Jena Juvenile Justice Center is used to offset the cost of implementing the Juvenile Justice Settlement Agreement.**

U.S. Department of Justice consultants claimed the Jena facility was plagued with violence, staffed by abusive and untrained officers, and lacked meaningful rehabilitation, medical care and educational programs. On April 5, 1999 the State seized temporary control of the Jena facility and by May 18, all juveniles had been transferred to state secure facilities. The savings resulting from the cancellation of this contract is used to offset the \$20 million cost of implementing the Juvenile Justice Settlement Agreement with the U.S. Department of Justice.

- **An increase of \$20.1 million is appropriated for the Juvenile Justice Settlement Agreement with the U.S. Department of Justice.**

In October of 1998, the U.S. Department of Justice (DOJ) and private plaintiffs alleged deficiencies in the educational services, mental health services and physical safety provided in the secure juvenile facilities within the Department of Public Safety and Corrections (DPS&C). The allegations led to several lawsuits in U.S. District Court. The DPS&C and DOJ negotiated a settlement agreement to resolve these issues, and a total of \$20.1 million and 240 new positions have been funded to implement this agreement. \$3.1 million, including 20 positions, is appropriated for the educational component which reduces teacher/pupil ratios, expands services, and provides for longer school days. \$5.4 million is appropriated in the Capital Outlay bill from risk management funds for the construction of new classrooms and the purchase of additional equipment for Vo-tech training programs. Approximately \$4.9 million and 208 positions will be allocated to assist in reducing officer-to-inmate staff ratios. Approximately \$6.7 million and 12 positions will be allocated to provide healthcare and mental health assessments for youths in the DOC.

- **An \$18.2 million increase provided for Sheriff's Housing of State Inmates due to increased population was reduced by \$3.8 million to fund D.A.R.E.**

The projected population of 17,281 for FY 00/01 is an increase of 2,027 over the current year. Current law requires reimbursement to the sheriffs for housing state inmates in local jails in the amount of \$21 per day. The recommended budget included supplemental funding for the additional \$2 over the statutorily required per diem. The additional \$2 amount was reduced by 61 cents for a total per diem of \$22.39 in order to fund the Drug Abuse Resistance Education (D.A.R.E.) Program in the Executive Department.

- **\$5.2 million is provided for base salary adjustments for Correctional Security Officers and Probation and Parole Officers.**

Additional funding will allow for an average 3.5% increase in pay for approximately 6,150 Correctional Security Officers (CSOs) and Probation and Parole Officers. CSOs annual starting salary is approximately \$15,324 (the lowest in the U.S.). This increase will raise the starting salary to \$15,860.

- **\$2.1 million is provided for increased operating costs for Tallulah Detention Center.**

On September 21, 1999 the state seized permanent control of the Tallulah Detention Center. The facility is now being operated as a unit of the Swanson Correctional Center for Youth in Monroe. The transfer included the addition of 412 new positions. Under the terms of the contract, the state is obligated to pay the debt service on the facility. Total appropriation for FY 00/01 for Tallulah includes \$17.10 per day for debt service (\$4.3 million) and \$14.8 million for operating expenses.

- **The Capital Outlay bill provides \$72 million for a variety of projects at correctional facilities.**

These projects are funded by \$5.4 million in Self-generated Revenues out of risk management, \$3.2 million out of carry-forward funds from the prior year and \$63.4 million in General Obligation Bonds in Priorities 1, 2, 3, 4 and 5 and include:

\$ 6.1 million for dormitory and cellblock planning and construction

\$19.4 million for replacement and renovations to educational buildings, infirmary buildings and skilled nursing facilities.

\$ 5.6 million for levee system improvements at Angola.

\$ 5.4 million for the Juvenile Justice Settlement Agreement.

\$35.5 million for mechanical, sewage and water treatment, sanitary renovations, Fire Marshal/Health Department upgrades and kitchen renovations

Public Safety Services

- **There is a \$8.5 million reduction associated with the elimination of 274 positions.**

As part of the gubernatorially-mandated personnel reductions, the overall number of authorized positions was reduced by 274. Although the Division of Administration (DOA) allocated these reductions primarily in the Office of State Police, Public Safety Services proposed an alternate allocation which shifted a significant number of position cuts to the Office of Motor Vehicles. Under the DPS proposed allocation, OMV would have to close 9 offices and make significant personnel reductions in another 22 field offices. However, the Commissioner of Administration testified during the budget process that the DOA has not approved this alternate plan and would work closely with DPS to identify vacant positions and effect these reductions with the least possible impact in services to the public.

- **\$6.1 million is provided for computer upgrades in the Office of Motor Vehicles.**

House Bill 162 of the First Extraordinary Session of 2000 approved an increase in handling fees charged by the Office of Motor Vehicles from \$5.50 to \$8.00. The additional revenues are to be credited to the Office of Motor Vehicles Customer Service and Technology Fund. The funds will be used for the acquisition of new computer equipment and upgrades to the data processing services.

- **\$5.5 million is provided for AFIS upgrades in the Office of State Police.**

The Capital Outlay bill includes additional funding for upgrades to the Automated Fingerprint Identification System (AFIS). These upgrades will be funded with Riverboat funds of \$4.3 million and land-based casino funds of \$1.2 million.

ECONOMIC DEVELOPMENT

The Department of Economic Development was appropriated over \$81 million representing a net decrease of approximately \$14 million or 15% when compared to the previous year's existing operating budget. The number of positions decreased by 5% to 345 positions. Specific changes and funding items are described below.

- **A total of \$15,250,000 in State General Fund is appropriated to support various phases of the cooperative endeavor to construct the U.S. Naval Information Technology Center at the University of New Orleans Research and Technology Park.**

\$6 million	Phase I for the construction of two buildings. This is the last year of a four-year, \$24 million commitment.
\$6.25 million	Phase II for the construction of a third building and a parking garage. This is year three of a four-year, \$25 million commitment.
\$3 million	Phase III for the construction of a fourth building. This is year two of a four-year, \$12 million commitment.

The Center houses the expanded functions of the human resource information systems for the Navy and the Department of Defense. The project will create, by the end of year 2000, over 1,500 technology-oriented jobs with average salaries ranging from \$40,000 to \$60,000.

- **\$7.1 million is provided for the retirement of bonds used to fund the construction of a 200,000 square foot building for the UNO/Avondale Maritime Center of Excellence located on the Avondale campus.**

The technology developed at the Center will be used to support Avondale in the construction of Navy submarine vessels, and will permit the University of New Orleans to help shipbuilders enhance their computer design technology to improve ship design and manufacturing efficiency. This funding—year four of a twelve-year, \$40 million commitment—represents an increase of \$140,708 over last year's appropriation.

- **\$5 million is appropriated for the Economic Development Award Program (EDAP) but is contingent on the transfer to the state of funds from LPFA.**

EDAP assists local communities in the location and expansion of industry by providing grants for infrastructure improvements required for such location and expansion. In FY 99/00 EDAP was funded at about \$4 million, of which about \$3.2 million was provided from an arbitrage refund through the Louisiana Public Facilities Authority (LPFA). All funding for FY 00/01 is contingent on receipt of funds from LPFA.

- **Louisiana, Inc. is appropriated \$1.3 million in transitional funding.**

In the 1st Extraordinary Session of 2000, Act 144 was passed, privatizing the Department of Economic Development contingent upon voter approval of Act 153, a Constitutional Amendment allowing the creation of Louisiana, Inc. Act 144 contains many provisions regarding the usage of state funds for economic development. One major provision requires compliance with performance-based budgeting. Another provision creates a new Economic Development Award Program that consolidates previous activities that were operated separately including the loan guarantee and workforce development training programs. A total of \$1,294,925 is appropriated for the transition costs, which, if voters do not approve Louisiana Inc., will revert to the Office of the Secretary in DED.

- **\$962,000 in State General Fund is appropriated to fund local economic development efforts, including:**

\$450,000	Metrovision
\$250,000	Macon Ridge Development Region, Inc.
\$150,000	South Louisiana Economic Development Council
\$112,000	Northeast and Northwest economic development activities

- **\$800,000 in State General Fund is appropriated for technology-based economic development activities, including:**

\$350,000	Louisiana Partnership for Technology and Innovation
\$300,000	National Advanced Center for Manufacturing at UNO, start-up expenses
\$100,000	Louisiana Business and Technology Center
\$ 50,000	Louisiana Technology Transfer Office

- **\$480,000 is appropriated for the Louisiana Resource Center for Educators, representing an increase of \$143,000.**

The Louisiana Resource Center for Educators provides resource materials for teachers statewide, including books, educational kits, videos, cassettes, etc. through interlibrary loans. An increase in funding was requested to provide for additional costs associated with a larger facility to accommodate the center.

- **(\$3,200,000) in State General Fund is eliminated or reduced for local economic development projects, including:**

\$1 million	Sugar Bowl support (eliminated)
\$500,000	Super Bowl XXXVI Coordinating Committee (request not funded)
\$400,000	Metro Regional Business Incubator (eliminated)
\$238,000	Northeast economic development activities (reduced)
\$ 50,000	North Central economic development activities (eliminated)
\$250,000	Louisiana Center Against Poverty (eliminated)
\$250,000	Independence Bowl (eliminated)
\$200,000	Port of New Orleans (eliminated)
\$150,000	Monroe Development District (eliminated)
\$100,000	Towns of Rayville and Delhi and Monroe Senior Center (eliminated)

- **The Small and Emerging Business Development (SEBD) program is appropriated \$2,626,209, including five positions. This represents a decrease of \$884,270 in State General Fund and four positions, which is offset by a \$300,000 increase in Statutory Dedications for developmental assistance.**

The program was originally funded at \$3.2 million and nine positions. The appropriation for FY 00/01 contains a decrease of \$397,000 for developmental assistance provided businesses participating in the program.

SEBD staff certifies businesses and coordinates service delivery but does not provide direct technical assistance to businesses. Instead, the SEBD program contracts with the Small Business Development Centers located across the state and with other private entities to provide developmental assistance such as loan packaging, business plan development, marketing and financial planning to approximately 300 businesses. These services comprise the major component of the SEBD program. Approximately 50 businesses use the bonding assistance component of the program. An additional 100 businesses become certified every year to use SEBD services.

Statistics on businesses that have been in the program for 1 to 2 years show that gross revenues have increased 36%; employment went up by 18%; state and local taxes increased by \$300,000 to \$1.9 million; and annual sales rose by \$3 million to a total of \$19 million. The decrease in funding for the developmental assistance portion of the program could affect the department's ability to continue to produce the positive outcomes described above.

- **General reductions in State General Fund in the department total (\$926,242).**

The reductions include 16 positions and \$437,603 in associated funding under gubernatorially-mandated personnel reductions, \$306,713 in general funds allocated to the Communications Program, and \$186,926 to continue Executive Order 99-52 cuts which totaled \$930,164 in FY 99/00.

TOURISM AND CULTURAL DEVELOPMENT

- **\$2 million has been appropriated for the Louisiana Library Connection.**

This funding will be used to increase Internet and database access in local libraries by using existing state fiber-optic networks and to take advantage of telecommunications discounts available to libraries.

- **\$1.5 million has been appropriated for state aid to public libraries.**

These funds are used for acquisition of computer and telecommunications technologies by local libraries, including further automation of library operations. They may also be used for the acquisition of books, audiovisual materials, newspapers, and periodicals.

- **Funding was eliminated for the grants to small local museums program (\$350,000).**

This funding was used in the past to fund grants to small local museums for up to \$40,000 each with eligibility criteria including level of local support, staffing, and hours of operation.

- **\$166,000 is provided for digitizing pictures and artifacts for the Internet.**

This is a one-year pilot project to digitize 3000 to 3500 photographs. This will help bring the Office of State Museums online.

- **\$200,000 was appropriated for enhancement of the State Parks electronic reservation system.**

This funding will assist the Office of State Parks in upgrading the electronic reservation system which began operation on Jan.19, 2000. The enhancements will include more immediate connections to the system and ability of consumers to make reservations over the Internet.

A commitment of over \$82 million was made in capital outlay to address the need for improvement of state parks, museums, and other tourist related projects including the following:

- **\$1.1 million is reauthorized for expansion, construction, and equipment for the State Library Building in Baton Rouge.**

- **\$69 million is appropriated for various state parks and commemorative areas.** Funding is for expansions, planning, acquisitions, and construction and includes:
 - ❑ \$8.9 million for development at Palmetto Island State Park in Vermilion Parish
 - ❑ \$5.0 million for planning and construction at Caney Creek Lake State Park in Jackson Parish
 - ❑ \$3.9 million for planning and construction at Chicot State Park in Evangeline Parish
 - ❑ \$1.8 million for construction at Longfellow Evangeline State Historic Site Visitor Center in St. Martin Parish
 - ❑ \$8.9 million for planning and construction at Fontainebleau State Park in St. Tammany Parish
 - ❑ \$6.3 million for Phase 2 construction at Lake D'Arbonne State Park in Union Parish
 - ❑ \$7.5 million for development at South Toledo Bend State Park in Sabine Parish
 - ❑ \$2.8 million for land acquisition for Bogue Chitto State Park
- **\$3.1 million is provided for Visitor Welcome Centers in the Office of Tourism.** Funding is for ongoing renovations, expansions, planning, and construction of visitor's centers in Caddo, Madison, St. Tammany, Tangipahoa, and West Feliciana Parishes (\$2.2 million) and for an I-49 visitor's center in Rapides Parish (\$850,000).

AGRICULTURE AND FORESTRY

- **\$33.7 million in statutory dedications and \$8 million in State General Fund is appropriated for the 3rd year of the 5-year Boll Weevil Eradication Program.**

Of the \$33.7 million, \$27.7 million is to be used for the Northeast Eradication Zone, and \$6 million will be used for the Red River Eradication Zone. For the Northeast Eradication Zone, \$9 million will come from farmers (\$15 fee per acre), and \$18 million will come from a \$50 million loan the department secured for the program. \$8 million in State General Fund is to be used for debt service payment for this loan.

- **\$4 million was reduced from the Formosan Termite Initiative.**

The total funding of \$2 million for FY 00/01 is a \$4 million decrease from the FY 99/00 funding level of \$6 million. The Formosan Termite Initiative, Act 486 of the 1999 Regular Session, is assisting in halting the rapid spread of the termite in the New Orleans and Lake Charles Areas.

- **\$2 million was reduced from the Commodities Storage and Distribution Project.**

There is \$2,067,668 appropriated for this program, a reduction of \$2 million from FY 99/00. This program stores and distributes surplus food commodities donated by the U.S. Department of Agriculture (USDA). The state's local entities will be asked to provide more assistance as a result of this reduction.

- **\$1.5 million reduction associated with the elimination of 51 positions.**

The department personnel reductions were as follows: Office of Management and Finance – 6; Marketing – 2; Agricultural and Environmental Sciences – 20; Agro-Consumer Services – 12; Forestry – 14; Soil and Water Conservation – 1. There were 4 positions added to the Department of Animal Health Services, bringing the total personnel reductions to 51.

OTHER GENERAL GOVERNMENT

Executive Department

- **A \$6.4 million reduction in the Office of Elderly Affairs eliminated the Long Term Care Assistance Program.**

In 1992, the state enacted the Eldercare grant program for nursing home residents who do not qualify for any other federal or state care assistance and meet certain guidelines as set forth in law. In the same Legislative session, Louisiana also passed a nursing home provider fee and used those revenues to collect federal Medicaid matching funds. The federal Health Care Financing Administration (HCFA) asserts that these grants equate to full rebates of the Medicaid tax, and federal law forbids this sort of rebate. Federal auditors made an initial visit to the state concerning this matter in November 1999, and DHH received a formal notice of disallowance in June. In its formal notice, HCFA estimated that Louisiana improperly collected \$293.9 million from the federal government, which is subject to recoupment. DHH believes that these federal funds were collected properly. However, due to the controversial nature of this program, and as part of the necessary budget reductions, all funding for this program was eliminated for FY 00/01.

- **\$3.8 million is appropriated for the continuation of the D.A.R.E. Program.**

The Drug Abuse Resistance Education Program (D.A.R.E.) continues to be funded with a reduction of 10% from the FY 99/00 funding level of \$4.3 million. The program was slated to be eliminated but was funded by reducing the additional \$2 Sheriff's Housing per diem for housing state inmates in local jails by 61 cents. Some 100 local police departments and sheriff's offices in 62 participating parishes will continue to receive grants allowing them to reach some 400,000 children.

- **The Urban and Rural Development grant programs are continued.**

Funding of \$8.9 million for the Office of Rural Development and \$10.1 million for the Office of Urban Affairs and Development is continued for FY 00/01. These are the same funding levels provided in FY 99/00.

Elections

- **\$1.5 million for a voting machine extended warranty was eliminated.**

This budget reduction comes from the elimination of a \$1.5 million contract with Independent Voting Machines Inc. that provided for an extended warranty for voting machines. The legislative auditor's office questioned the need for this contract citing work performed by department employees which duplicated that provided under the professional services contract. There is no funding for the purchase of electronic voting machines in the budget.

Lieutenant Governor

- **\$1 million in Federal Funds is provided for a federal America Reads Challenge Grant.**

This grant is for Americorps members to tutor approximately 6,500 students in reading skills statewide. Funding for the grant is to be transferred by the lieutenant governor to the state Department of Education for its administration. This grant is awarded to the Louisiana Serve Commission as part of a national initiative to ensure that every child can read well by the end of the third grade.

Natural Resources

- **\$1.8 million was reduced from the Atchafalaya Basin Program.**

There is \$619,925 appropriated for this program, a reduction of \$1.8 million from FY 99-00. This reduction is due to the Corps of Engineers taking an expanded role in the administration of the Atchafalaya Basin Program. The Atchafalaya Basin Program's mission is to coordinate the development and implementation of a cooperative plan for the Atchafalaya Basin that ensures its services to many people while at the same protecting its fundamental value.

- **\$ 18.4 million is provided for the Wetlands Conservation and Restoration Fund.**

The Wetlands Conservation and Restoration Fund is used to provide the state match for Federal funding provided through the Coastal Wetlands Planning, Protection, and Restoration Act (Breaux Act). The Breaux Act generates approximately \$40 to \$50 million annually, which requires a 15% state match, or about \$6 to \$7.5 million per year. The full amount available from the fund is budgeted, although this amount will probably not be fully expended to match federal funds and for other projects. This funding is used to assist coastal restoration projects which create, restore, enhance, and conserve vegetated coastal wetlands.

Environmental Quality

- **\$1.1 million in Interagency Transfers is appropriated for the Source Water Assessment Program.**

This IAT is received from the Department of Health and Hospitals for source water protection in conjunction with the federal Safe Drinking Water Act. The Department of Environmental Quality has been working, with the assistance of the Environmental Protection Agency, to formulate a work plan for this program which assesses all public and non-public drinking supplies. These particular funds will be used by hired contractors for fieldwork involving discovery of source water assessment areas and then analyzing these areas for potential sources of contamination. If certain areas are found to be contaminated, then the contractors will test to determine if they may be adversely affecting public water systems.

Civil Service

- **\$1.2 million is provided for an electronic imaging project.**

This project will convert all classified and unclassified employee's records into electronic images. In their current state, these records are located in manual drawer file cabinets which occupy 2,400 square feet of floor space and have a retrieval rate of almost 1,000 accesses per day. The new North Building of the Capitol Complex (where the Department of State Civil Service will be located around June 2001) cannot physically accommodate these records.

- **\$320,000 is provided for the ISIS Human Resource Project.**

This project will replace the present personnel administration system which provides human resource information through various reports. Under the current system, state HR offices must enter information into as many as four different systems. Entries for reporting purposes are currently being made into the statewide personnel records system, position control system, payroll system, and various internal reporting systems. The new ISIS Human Resource Project will allow the data to be entered once but it will be simultaneously retrievable by all parties requiring access to the data. With the new system in place, the Department of Civil Service will have to completely redesign its workflow processes and change the focus of the organization. The new system is scheduled for implementation on October 2, 2000.

Labor

- **\$55 million in Statutory Dedications is appropriated, of which \$50 million will be used to train incumbent workers and \$5 million to fund administrative costs.**

These funds are generated from a reduction in the Unemployment Insurance Trust fund in accordance with HB 1651 of the 1999 Regular Session. Monies are used to provide training to upgrade the skills of current or incumbent workers, allowing them to obtain higher-paying

jobs while opening up entry-level jobs for less skilled workers. The bill also provided for a 20% reduction in the employer contribution rate and a 20% increase in the unemployment weekly benefit amount as long as the fund exceeds \$1.25 billion.

The cost of 1998, 1999, and 2000 applications approved as of July 10, 2000 totals \$12.8 million. As of July 9, 2000, \$1.1 million has been expended.

- **(\$25.6 million) is eliminated for the first welfare-to-work grant, including \$1,151,012 in State General Fund.** The second welfare-to-work grant is now being used to fund these services. Spending for the second welfare-to-work grant has been slow, necessitating a reduction of \$507,551 in the state matching funds.

Wildlife and Fisheries

- **\$8.3 million in fee increases will assist the department in covering a Conservation Fund shortfall.**

The Department of Wildlife and Fisheries has a Conservation Fund shortfall of \$8.9 million which will be partly offset by a bill which is expected to bring \$8.3 million in new funding by increasing some existing fees and creating new ones. The Legislature passed HB 12 which included an increase to the basic hunting license fee from \$10.50 to \$15, and the basic fishing license from \$5.50 to \$9.50; an increase of a \$15 (3-yr.) boat registration fee to \$20 for boats 14 ft. and under, \$25 for boats over 14 ft. but under 18 ft., and \$30 for boats over 18 ft., plus \$2 per foot over 18 ft. There will also be a new senior license (\$5) and a new license for hunting on wildlife management areas (\$15).

- **\$1 million was reduced from the Aquatic Weed Eradication Program.**

Total funding for this program for FY 00/01 will be \$2.9 million. The Department of Wildlife and Fisheries continues to battle aquatic weeds throughout Louisiana's waterways. There is no way to completely eradicate the exotic plants, so efforts revolve around controlling the invasive species which cause continuous problems. Some of these problems are impeding boat travel and boat ramp access and overtaking native plants that provide food and habitat for native animals.

Other Requirements

- **\$12 million in funding was eliminated for the Tobacco Tax-General Assistance to Parishes and Municipalities Program.**

This program allocated the proceeds of sales taxes on cigarettes to parishes and municipalities to aid in the funding of general operating expenses of these entities. The funds are distributed by formula on a per-capita basis. The 8 Cent Program (\$6 million) provides funding to approximately 300 incorporated municipalities and five parishes with no incorporated municipalities. The 3-Cent Program (\$6 million) is distributed half to New Orleans and half to approximately 300 incorporated municipalities and five parishes with no

Other General Government

incorporated municipalities. The Executive Budget recommended reducing the \$12 million program by 10% for FY 00/01. However, all funding for this program was eliminated during the budget process.

- **\$4.1 million is appropriated for the first full year's operation of the New Orleans Center for Creative Arts.**

Senate Bill 66 of the 2000 First Extraordinary Session created the New Orleans Center for Creative Arts/Riverfront. The state center will be primarily for the training of high school sophomore, junior, and senior students who aspire to be artists, performers, and arts technicians. The facility is owned by the state and located on land leased to the state by the Orleans Parish School (\$1 per year for 50 years). The center will be operated as a regional facility for the enrollment of qualified students from the parishes of Orleans, Jefferson, Lafourche, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, St. Tammany, Tangipahoa, and Terrebonne. The center is an agency of state government in the Department of Education as provided in R.S. 36:801.1, independent of the control of the state superintendent and of all local and state education boards. The center will be governed and managed by a board of directors.

- **The Parish Transportation Program was reduced by \$12.3 million.**

In FY 99/00 funding for this program totaled \$51 million. This included an \$8 million supplement appropriation out of non-recurring Land-Based Casino Revenues in the Capital Outlay Bill. The FY 00/01 recommended budget included the elimination of the \$8 million supplement, as well as a 10% reduction in total Transportation Trust Funds, for a total reduction of \$12.3 million. This equates to a 25% reduction in both the Parish Road Program and the Mass Transit Program). FY 00/01 funding levels are as follows: \$31.2 million – Parish Road Program; \$4.5 million - Mass Transit Program; \$3.0 million Off-system Bridges and Roads Program.

The following tables identify the parish distributions for FY 99/00 as well as the projected distributions for FY 00/01.

PARISH ROAD PROGRAM

<u>Parish</u>	<u>FY00 Distribution</u>	<u>FY01 Projected</u>	<u>Difference</u>
Acadia	\$655,100	\$457,150	(\$197,950)
Allen	\$414,210	\$247,425	(\$166,785)
Ascension	\$664,755	\$563,697	(\$101,058)
Assumption	\$288,712	\$234,810	(\$53,902)
Avoyelles	\$574,496	\$427,242	(\$147,254)
Beauregard	\$532,525	\$318,073	(\$214,452)
Bienville	\$363,471	\$196,726	(\$166,745)
Bossier	\$941,235	\$740,816	(\$200,419)
Caddo	\$1,563,316	\$1,269,334	(\$293,982)
Calcasieu	\$1,634,156	\$1,255,306	(\$378,850)
Caldwell	\$239,225	\$134,014	(\$105,211)
Cameron	\$178,802	\$113,585	(\$65,217)
Catahoula	\$229,476	\$134,793	(\$94,683)
Claiborne	\$372,786	\$174,898	(\$197,888)
Concordia	\$300,185	\$217,499	(\$82,686)
DeSoto	\$425,264	\$252,456	(\$172,808)
East Baton Rouge	\$2,446,024	\$2,083,563	(\$362,461)
East Carroll	\$189,171	\$110,192	(\$78,979)
East Feliciana	\$291,969	\$212,671	(\$79,298)
Evangeline	\$538,356	\$350,826	(\$187,530)
Franklin	\$385,269	\$223,878	(\$161,391)
Grant	\$368,921	\$191,422	(\$177,499)
Iberia	\$696,094	\$572,778	(\$123,316)
Iberville	\$382,949	\$312,929	(\$70,020)
Jackson	\$322,133	\$196,022	(\$126,111)
Jefferson	\$2,418,715	\$1,987,725	(\$430,990)
Jefferson Davis	\$498,874	\$321,135	(\$177,739)
Lafayette	\$1,510,891	\$1,274,101	(\$236,790)
Lafourche	\$845,828	\$692,753	(\$153,075)
LaSalle	\$295,663	\$177,300	(\$118,363)
Lincoln	\$572,684	\$424,945	(\$147,739)
Livingston	\$861,643	\$685,235	(\$176,408)
Madison	\$249,194	\$164,069	(\$85,125)
Morehouse	\$494,347	\$320,870	(\$173,477)
Natchitoches	\$632,571	\$385,232	(\$247,339)
Orleans	\$2,529,403	\$2,053,340	(\$476,063)
Ouachita	\$1,298,705	\$1,019,559	(\$279,146)
Plaquemines	\$321,981	\$269,522	(\$52,459)
Pointe Coupee	\$300,802	\$237,974	(\$62,828)
Rapides	\$1,213,128	\$876,240	(\$336,888)
Red River	\$194,955	\$124,101	(\$70,854)
Richland	\$363,687	\$213,039	(\$150,648)
Sabine	\$442,050	\$243,066	(\$198,984)
St. Bernard	\$617,230	\$527,902	(\$89,328)
St. Charles	\$521,570	\$437,916	(\$83,654)

Other General Government

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St. Helena	\$201,529	\$120,320	(\$81,209)
St. James	\$255,887	\$217,285	(\$38,602)
St. John	\$509,590	\$431,141	(\$78,449)
St. Landry	\$891,613	\$646,629	(\$244,984)
St. Martin	\$561,779	\$444,784	(\$116,995)
St. Mary	\$537,442	\$449,875	(\$87,567)
St. Tammany	\$1,647,560	\$1,268,618	(\$378,942)
Tangipahoa	\$1,008,923	\$749,582	(\$259,341)
Tensas	\$135,173	\$78,165	(\$57,008)
Terrebonne	\$913,293	\$764,003	(\$149,290)
Union	\$484,630	\$224,746	(\$259,884)
Vermilion	\$610,880	\$402,174	(\$208,706)
Vernon	\$634,574	\$407,275	(\$227,299)
Washington	\$697,322	\$452,563	(\$244,759)
Webster	\$610,154	\$435,386	(\$174,768)
W. Baton Rouge	\$249,012	\$210,641	(\$38,371)
West Carroll	\$268,100	\$153,402	(\$114,698)
West Feliciana	\$231,670	\$169,372	(\$62,298)
Winn	\$368,348	\$183,410	(\$184,938)
TOTAL	\$42,000,000	\$31,237,500	(\$10,762,500)

MASS TRANSIT PROGRAM

	<u>FY00 Distribution</u>	<u>FY01 Projected</u>	<u>Difference</u>
Jefferson Parish	\$1,106,497	\$804,829	(\$301,668)
St. Bernard Parish	\$81,615	\$72,588	(\$9,027)
St. Tammany Parish	\$100,000	\$85,723	(\$14,277)
Houma	\$87,788	\$76,998	(\$10,790)
Kenner	\$207,867	\$162,790	(\$45,077)
Alexandria	\$101,128	\$86,529	(\$14,599)
Baton Rouge	\$779,420	\$571,145	(\$208,275)
Lafayette	\$140,660	\$114,773	(\$25,887)
Lake Charles	\$65,392	\$60,997	(\$4,395)
Monroe	\$157,983	\$127,150	(\$30,833)
New Orleans	\$2,358,052	\$1,699,021	(\$659,031)
Shreveport	\$663,598	\$488,394	(\$175,204)
DOTD Transit Section	\$150,000	\$111,563	(\$38,437)
TOTAL	\$6,000,000	\$4,462,500	(\$1,537,500)

TOBACCO SETTLEMENT REVENUES SUMMARY

In November 1999 the Louisiana electorate approved a constitutional amendment which established the Millennium Trust and the Louisiana Fund within the state treasury. All of these funds are now effective and are composed of the annual payments received by the state from the 1998 settlement with the tobacco industry. In FY 00/01, the state is expected to receive approximately \$138 million in such revenues, a portion of which monies, plus interest earnings, are used to support the following appropriations in FY 00/01.

Millennium Trust

The Millennium Trust is a permanent trust fund into which a portion (45% in FY 00/01) of the tobacco settlement revenues are deposited. Only investment earnings on the Trust can be spent. All investment earnings are credited, one-third each, to the Education Excellence Fund, the Health Excellence Fund and the TOPS Fund within the Millennium Trust. An exception to this is that each fiscal year through FY 02/03, an extra 10% of each year's total settlement revenues must be credited to the Education Excellence Fund and is available for appropriation to public schools. This is why the appropriations from the Education Excellence Fund are so much larger this year than those from the Health Excellence Fund and TOPS Fund. Total appropriations from funds within the Millennium Trust for FY 00/01 are \$14.7 million, as follows:

- **Education Excellence Fund**

\$13.8 million Allocated to local school systems to be used for prekindergarten through twelfth grade instructional enhancement

\$255,000 Allocated (\$63,750 each) to the four state special schools: Louisiana School for the Deaf; Louisiana School for the Visually Impaired; the Louisiana Special Education Center; and the Louisiana School for Math, Science and the Arts

\$45,000 Allocated for nonpublic schools

- **Health Excellence Fund**

\$300,000 For competitively awarded health sciences research grants administered by the Board of Regents

- **TOPS Fund**

\$300,000 Support of the TOPS program

Louisiana Fund

The Louisiana Fund is a special fund within the state treasury, into which a portion (45% in FY 00/01) of the tobacco settlement revenues are deposited. All monies in this fund are available for appropriation. Total appropriations for FY 00/01 are \$62 million, as follows:

\$ 339,000	Attorney general for enforcement activities related to the settlement
\$ 44 million	Medicaid program
\$ 5.8 million	Support of school health clinics through the Office of Public Health
\$ 1.4 million	Starting Points preschool initiative through the Department of Education
\$ 10 million	For competitively awarded health sciences research grants administered by the Board of Regents
\$ 460,000	Smoking cessation programs